No. 14197

IN THE

United States Court of Appeals

FOR THE SEVENTH CIRCUIT

CONSOLIDATED FOODS CORPORATION,
Petitioner,

v.

FEDERAL TRADE COMMISSION,
Respondent.

Petition to Review and Set Aside Order of the Federal Trade Commission

JOINT APPENDIX

VOLUME IV
Pages 1353 to 1972

Transcript of Testimony

VOLUME IV

ALPHABETICAL INDEX TO WITNESSES

NAME	PAGE
Bailey, Thomas	1828
Beach, P. Goff	1551
Bolen, Earl	1820
Brickman, Clarence	1815
Brose, Raymond	1761
Christian, James	1842
Dyon, Wilfred	1804
Everts, H. J.	1720
Flavin, John	1414
Franklin, William	1609
Gallo, Robert	1920
Garvin, Sol	1504
Gerber, Daniel	1836
Gifford, Stacey	1660, 1681, 1697
Gray, Lee	1744
Grether, E. T.	1887
Hanley, Martin	1689
Heller, James	1624
Issel, Ernest	1911
LeBeau, Carter	1813
Lerner, A. L.	1729
MacMillan, William	1389
Mehren, Dr. George L.	1849
Milchrist, Thomas	1763
Nixon, William	1800
Pepper, Anthony	1639
Prater, Arthur	1418
Puccinelli, Lewis	1655
Rinehart, Cleo	1587
Shaw, Robert	1583

NAME	PAGE
Shelton, Huber	1363
Smith, Jesse	1752
Stimson, William	1595
Tilden, Kenneth	1630
Warfield, John	1406
White, William	1353
Wyler, Silvain	1775
Zeman, Frank	1809

2422 By Mr. Hays:

Q. Did you talk to Mr. Benzies after this last letter?

A. Yes, I did.

Q. What was the substance of that conversation?

A. Mr. Benzies said in substance again, he commented that it was certainly a very strong letter, he wondered if I had written it in the heat of the argument.

He indicated that he didn't blame me for taking that position, and I would say as a result of this conversation it was indicated that there were no hard feelings between Benzies and myself.

This was after we had thrashed it out.

Q. At the time you had been working in the Chicago area about six years, is that right?

A. From 1948; approximately.

Q. At this time you knew—

A. Excuse me, Chicago area and also Michigan and Ohio. I take it you mean the general territory?

Q. Yes, this two weeks in and two weeks out thing, you had been working that for six years, is that right?

A. Yes, sir, that is right, or slightly less than six years.

Q. You learned considerable about how to sell dehydrated onion and garlic?

2423 A. I think so.

Q. And you had learned the location of considerable accounts, potential accounts of dehydrated onion and garlic?

A. Yes.

Q. This information you obtained in the course of your employment by Basic Vegetable Products Company?

A. That is correct.

Q. At the time of this argument, what was your net salary and commission that you got from Basic?

A. Between 8500 and $9,000.00 annually.

Q. And that is everything?

A. That is commission and salary.

Q. Did you get any bonuses or anything?

A. Yes.

Q. What did that add up to?

A. It is rather hard to evaluate. Some of it was in the form of stocks in the company; in some period I believe it was in cash.

Q. How much bonus did you get?

What was your bonus in 1953?

What was your salary, commission and bonus when you first started out in 1948?

A. I don't recall exactly. I believe I started at something like $75.00 a week, $90.00 a week.

2424 Q. Prior to your leaving Basic, had you ever talked to anyone representing the Gentry Division of Consolidated Foods other than Charles Strecker and Martin Kraham?

A. Yes, there was a Dick Southern whom I met at one time. He was with Gentry in Chicago.

Q. Now after you received this last letter from Mr. Hume, did you then resign?

A. No, I did not. I continued on with Basic for approximately three or four months.

Q. Did you have any other unhappy circumstances occur in those three or four months?

A. No, I believe not.

Q. Then did you resign?

A. I might mention that during this three or four month period I was actively seeking other employment. This was known, I feel safe in saying, it was known to Basic also.

Q. Then did you resign after you got other employment?

A. Yes, I did.

Q. Did you have another job before you resigned?

A. Yes, I had a promise of employment with Bostwick—if I recall correctly, that is Bostwick Laboratories, a divi-

sion of Connecticut Chemical Research Corporation.

Q. And was that as a salesman in the Chicago area?

2425 A. As a salesman in Illinois in general.

Q. When did you resign?

A. Excuse me. I just wanted to add also Wisconsin was a part of the territory.

Q. When did you resign from Basic?

A. About the middle of 1954.

Q. How long after you resigned from Basic did you take up employment with Bostwick Laboratories?

A. If my memory serves me right, it was immediately thereafter.

Incidentally, I want to question this use of the word "resign".

2426 Q. You did not resign?

A. I am trying to—I am not trying to soft soap this thing, but as far as I am concerned, it was a mutual arrangement. I think this can be attested to by Basic's keeping me on for three or four months, for that period of time after the point of contention.

Q. Well, ultimately there came a point where something happened, either you said, "I am no longer working for you," and they said, "O. K.," or the other way around. Now just what happened.

A. No. The period of time that I worked for them after this contention had been agreed upon. It was either three or four months.

Q. So after you received the letter from Mr. Hume, you told them that you wanted to resign or what happened?

A. No. After I received the letter from Mr. Hume, this was then, as I stated, discussed with Mr. Benzies. Mr. Benzies discussed it with Mr. Hume and I continued to work for Basic for a period of four months thereafter, or three months, whatever that may have been.

Q. Was there an understanding that you were going to

quit as soon as you found another job after three or
2427 four months?

A. I believe so, yes.

Q. In other words, Basic knew that you were going to resign but they continued to employ you until you could find some other place to work?

A. That is substantially correct, yes.

Q. How long did you work for Bostwick Laboratories?

A. About six months.

Q. Why did you leave them?

A. The job with Bostwick was one in which I was to be the pioneer of this way of doing business. To spell that out a bit, they were going to change from brokers to company representatives. After about six months time, management felt that they could not get away from brokers, brokerage was a way of doing business, and therefore they discontinued this plan of theirs and discontinued me.

Q. Did they give you any notice that they were going to discontinue you?

A. Yes, they did.

Q. How much notice did they give you?

A. It is rather hard to fix a time, but I would guess it to have been about four weeks.

Q. Then you had to look for a job for four weeks?

A. Yes.

2428 Q. Did you ask Basic to reemploy you?

A. No, I did not.

Q. Did you ask Puccinelli Packing Company to employ you?

A. No, I did not.

Q. Did you ask Simplot Company to employ you?

A. No, I did not.

Q. What companies did you ask to employ you?

A. I actively sought employment through a number of employment agencies. I answered ads, and I contacted the

Gentry organization.

Q. You contacted them?

A. I contacted them.

Q. Why did you contact Gentry and not contact Puccinelli and Simplot?

A. Quite frankly because I would rather be with a firm that has top quality products, a firm with what I felt to be a better future than that of the others.

Q. And you were also aware at this time of contacting Gentry that the Basic people were worried about reciprocity, weren't you?

A. That didn't enter my consideration in any way.

Q. You knew of reciprocity at the time, did you not?

A. Yes.

2429 Q. Who did you talk to at Gentry?

A. Martin Kraham.

2430 Q. Is he the one you contacted first?

A. That is right.

Q. Why did you contact him?

How did you happen to select him?

A. He is the one that was there.

Q. In the Gentry office?

A. That is correct.

Q. And he knew you?

A. Yes.

Q. What happened?

A. As far as what? Would you qualify that, please, what happened then?

Q. As I understand it, Mr. White, you contacted Gentry to try to get a job, is that right?

A. That is correct.

Q. When?

A. In the latter half of 1954.

Q. What month?

A. I can't pin it down.

Q. I didn't hear you.

A. I can't pin it down as to the month.

Q. Who did you contact?

A. Mr. Martin Kraham.

Q. And where did you contact him?

A. At his office.

2431 Q. What happened at his office when you contacted him?

A. He was very receptive, I believe, and indicated that there may be a place for me in the Gentry organization.

Q. Then you went away or did you see anyone else there?

A. I saw no one else there, no.

Q. Then you went away?

A. Yes.

Q. Then what happened next in connection with your employment by Gentry?

A. I then had a phone call from Mr. Kraham. In substance he said he had good news for me, Gentry would like to employ me; however, that it would involve a move from the Chicago area.

Q. Then what happened?

A. Well, I was not too anxious to move away from Chicago. I asked him further about that. Again, as I recollect, he said that Gentry would not hire me to work in the Chicago area; however, there was an opening in New York.

Q. And you then went to New York, or what happened then?

A. After we reached a decision, I worked for one
2432 week in 1955 with Martin Kraham learning the procedures used by Gentry and then went to New York.

Q. You went to New York in 1955?

A. That is correct.

Q. And you have been selling in New York State ever since then?

A. I have been selling many states in the New York area, yes.

Q. Well, has your territory remained the same since you went there in 1955?

A. No, it has not.

Q. Would you describe the changes?

A. All right.

Originally I covered New York City, parts of it, and I traveled as far as North Carolina, South Carolina, the southern states, Virginia. That is within the first six months of coverage.

After that I covered other areas including upper New York State and the New England States.

Q. Who was your superior in New York when you were in New York?

A. Mr. Oscar Schek.

Q. Do you know Mr. Joe Farrell?

A. Do I know him?

Q. Yes.

2433 A. Yes, I do know him.

Q. What was his position when you first moved into New York?

A. Mr. Farrell either had already or was just in the process of transferring to the then Los Angeles home office.

I believe his title to have been at that time National Sales Manager.

Q. When you were in training with Mr. Kraham for about a week, what did you do?

A. We traveled calling on a number of accounts.

Q. In the Chicago area?

A. I believe we were away overnight either four nights or possibly all of that week.

Q. Did you call on some of the accounts that you formerly called on when you sold Basic products?

A. In a few instances, yes.

Q. I guess you told them that you were now associated with the Gentry Division of Consolidated Foods?

A. Yes, I did that.

Q. When did you first become aware that Consolidated Foods had purchased Gentry?

A. Either at the time it happened or conceivably just shortly before.

Q. You testified on direct examination that you re-
2434 viewed certain accounts with Mr. Benzies after Consolidated purchased Gentry?

A. Yes.

2435 Q. When did this occur?

How long after Consolidated purchased Gentry did you review these accounts?

A. I can't give an exact answer. It was shortly thereafter.

Q. And what was the purpose of that review?

A. They examined our accounts with the intent of seeing where we could sell more or where we could sell accounts that were then buying from Gentry and who would feel less inclined to do so because of the merger.

Q. Now did you review your accounts from the point of view of determining where you might lose sales to Gentry?

A. No, I don't believe so.

Q. This review occurred with Mr. Benzies of Chicago, Illinois?

A. That is correct.

Q. Was anyone else present when these accounts were reviewed?

A. It is quite likely that the secretary, Mrs. Betty Monahan was there. I am not positive of that, but that is quite likely that she was.

Q. When did you first hear of what has been referred to as reciprocity?

A. I believe around 1953, and that is very approximate.

2436 Q. Now who did you hear about it from?

A. Mr. Marvin Gielow.

Q. Who is he?

A. He is or at least was at that time an executive of the J. J. Gielow Pickle Company in Michigan.

Q. You discussed this with Mr. Gielow, this reciprocity?

A. Yes.

Q. Tell us what the substance of that discussion was?

A. Mr. Gielow indicated that I would lose business that year because—for reasons of reciprocity.

He said he was going to buy his garlic elsewhere.

Q. Did he say where he was going to buy it from?

A. Yes.

Q. Where did he say he was going to buy it from?

A. He indicated he was going to buy it from Gentry.

Q. What did you understand him to mean when he said "For reasons of reciprocity"?

A. I understood him to mean—from my understanding, when he said that, that he was selling his product to some other division of Consolidated Foods and that for that reason he was going to buy his garlic from some division of Consolidated Foods.

Q. How did you feel about reciprocity when you heard about it?

2437 Did you think it was fair?

* * *

By the Witness:

A. No, I probably didn't.

* * *

By Mr. Hays:

Q. Why did you feel that reciprocity was unfair?

2437-A A. I suppose there was a certain amount of subjective feeling in the matter.

It meant number one, I was going to lose business. If it were correct in the fashion it was told to me by Mr. Gielow, then I might feel it was a sales weapon which was being used which I would find very difficult to combat.

Q. What did you do after this conversation with Mr. Gielow insofar as reporting the conversation was concerned?

A. I reported it to the company.

Q. In other words, you reported reciprocity to the Basic Vegetable Products Company?

A. That is correct.

Q. And when you heard it, when you heard about it from Mr. Gielow and reported it to Basic, that was your first contact with reciprocity, is that right?

2438 A. To the best of my memory, this is the first time as a salesman for Basic where I had been faced with the problem, if I can define it as that.

Q. You said the first time as a salesman for Basic?

A. Yes.

Q. Had you ever heard about reciprocity before you were a salesman for Basic?

A. Had I heard about it?

Q. Yes.

A. In the sense of knowing or understanding the word or in the sense of coming face to face with it as a—

Q. In the sense of coming face to face with it.

A. Yes. To my knowledge this was the first occasion I had to deal with it as a salesman.

Q. Now was it the first time you had ever heard of it as a word?

A. Of course not, no.

Q. How long had you heard about it? Did you know about reciprocity before?

A. That is very —

Q. How long before did you know about reciprocity?

A. I can't answer that. You mean how long was I acquainted with the word "reciprocity"?

Q. Yes, and its meaning in the business world.

2439 A. I couldn't answer that.

Q. You knew about it as a business practice for quite some time before your first actual contact with it, had you?

A. I knew about it as a —

Q. Business practice for quite some time prior to your first contact with it? And by first contact I mean this discussion with Mr. Gielow.

A. I am trying to take this back to the time—I would say I believed at that time I was aware, vaguely aware that there might be some examples or there were some businesses done on that basis, yes.

Q. What did you do to combat this reciprocity? What did you do?

A. As I recall, I made every effort to stress equality of product, service, and to stress the advantages of staying with the material that he was using.

Q. Wasn't he buying something from Gentry at the time?

A. Not to my knowledge.

* * *

2440 HUBER SHELTON, was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Rothe:

Q. Please state your full name and your home address, please, for the record?

A. Huber Shelton, 3214 Medford Avenue, Indianapolis, Indiana.

Q. What is your occupation?

A. I am a purchasing agent.

2441 Q. With what company?

A. Stokely-Van Camp, Incorporated.

Q. Where are Stokely's general offices?

A. 941 North Meridian, Indianapolis.

Q. In what business is Stokely engaged?

A. Food processing.

Q. How many plants does it have?

A. Approximately seventy.

Q. Where are they located?

A. Thoughout the United States and Canada.

Q. What kinds of products are processed at those plants?

A. A complete line of canned vegetables, fruits, juices, dry pack items, some meat products, and we have a frozen food division.

2442 Q. What do you mean by dry pack products?

A. Items like pork and beans, spaghetti, chili con carne.

Q. Does Stokely sell its products under its own labels or under the labels of its customers?

A. Both.

Q. Have you at our request obtained certain information about Stokely's sales to Consolidated Foods Corporation and its subsidiaries and divisions?

A. Yes.

Q. Where did you obtain that information?

A. From our sales department.

Q. How long has Stokely's been a supplier of any products to Consolidated Foods Corporation?

A. About 15 years.

Q. Under whose labels has Stokely's sold its products to Consolidated?

A. Some under Consolidated but mostly under our own.

Q. Under your own label?

A. Our own brand, yes.

Q. What was the approximate volume of Stokely's sales to all Consolidated units in its fiscal year ended May 31, 1958?

A. Almost $800,000.00.

Q. What was the approximate volume of Stokely's
2443 total sales in that same fiscal year?

A. $155,000,000.00.

Q. What has been the trend of Stokely's sales to Consolidated since 1952?

A. The trend has been up.

Q. What has accounted for that trend?

A. Well, Consolidated has grown by obtaining additional wholesale and retail outlets and also an increased demand for our products.

Q. How has that increased demand for your products come about?

A. By advertising and also by the introduction of new products.

Q. What has been the trend of Stokely's total sales since 1952?

A. It also has been up.

Q. What were the reasons for that trend?

A. We have new facilities and our advertising, radio, TV, newspapers, and then the various new products we have come out with in the last few years.

Q. Are there any other factors that have contributed to that upward trend of sales?

A. Well, just more consumer demand for our product and also an increase in population.

Q. What are your duties as purchasing agent?

2444 A. I buy all the raw products that go into the can for all Stokely divisions east of the Rockies.

Q. That go into the can of goods?

A. That go into the cans, yes.

Q. How long have you held that position?

A. Since November of 1957.

Q. Where is the raw material purchasing done for plants west of the Rockies?

A. At Oakland, California.

Q. Who has made the decisions as to Stokely's sources of supply for dehydrated onions, dehydrated garlic and capsicums for the plants east of the Rockies since 1950?

A. With the exception of our Fairmont, Minnesota plant, the frozen food products, Pomona Products at Griffin, Georgia, one of our subsidiaries, Harry Poole did the purchasing up to the time of his death in '57. Since that time I have made the decision.

Q. When you said except for Pomona Products and the Fairmont plants, why did you except them?

A. They do their own purchasing.

Q. Of onion and garlic and capsicums?

A. Onion and garlic—in fact, all of their items that they use.

Q. How long have those two plants been a part of
2445 the Stokely family?

A. Since about 1955.

• • •

2446 (Whereupon, the document referred to, heretofore marked Respondent's Exhibit 196 for identification, was received in evidence.)

By Mr. Rothe:

Q. Mr. Shelton, roughly, since you have been in charge of raw material, what percentage of your requirements of dehydrated onion and garlic were purchased from Gentry?

A. Roughly, I would say 50 per cent.

Q. And the other 50 per cent from Basic?

A. That is correct.

Q. Prior to the time you took over the raw material purchasing in 1957, how did you separate the business between Basic and Gentry?

A. Our records don't go back before 1957. I don't know. But I presume Gentry got most of the business.

Q. Why do you presume that?

A. As soon as I took over early in 1958, we received a letter from the laboratory requesting that we buy more items on dehydrated onion from Basic Vegetable in
2447 relation to what we had done with Gentry because of the laboratory experiments that Basic had helped in.

Q. Do you know what kind of laboratory experiments?

A. No, I do not.

Q. The effect of this letter was what?

A. That I sort of was giving one big order to Basic, and one to Gentry; when a car would be ordered at a time, I would order one from one company and another from the other.

Q. That is how you split your business?

A. Yes.

Q. Did you receive the request from the laboratory?

A. Yes.

Q. When was that?

A. Early in 1958.

Q. Do you know what sort of laboratory work might have been done between these two companies?

A. No, I don't.

Q. It is unusual for you to receive that kind of letter from the laboratory, is it?

A. No, it is not. I have a lot of cases.

Q. Where in appreciation for laboratory help they ask you to buy from the company?

A. A certain one, as long as the price and quality
2448 are equal.

Q. Why do you split your business between Basic and Gentry?

A. It is the general policy of our company to have two or more suppliers for large volume items.

Q. What role did your laboratory play in dehydrated onion and garlic purchasing?

A. We don't buy on price alone. For spices or any other items, the laboratory has to approve our source of supply, and also there are samples from the suppliers.

In the case of a car or a shipment that is rejected, then they will ask us not to buy from that supplier until we get the thing straightened out.

Q. Have you purchased capsicums from Gentry?

A. Yes.

Q. What has been the trend of the capsicum purchases from Gentry in recent years?

A. Down.

Q. Why?

A. Our chili con carne business declined, and also our laboratory is not satisfied with the quality from Gentry.

Q. Mr. Shelton, we have informed the Hearing Examiner that we have talked to witnesses before they
2449 appeared here. Before you were contacted in connection with your appearance here as a witness, had you ever talked to anyone about a relationship of any kind between Stokely sales to Consolidated and its purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No.

Q. Had you had any kind of communication on that subject?

A. No.

Q. What effect has the fact that Consolidated was a customer of Stokely had on the volume of your purchases of dehydrated onion and dehydrated garlic and capsicums from Gentry in 1957 when you took over the purchasing?

A. No.

Mr. Rothe: You may cross examine.

Cross Examination

By Mr. Hays:

Q. Mr. Shelton?

A. Yes.

Q. What did you do prior to 1957?

A. I bought advertising material and labels at Stokely-Van Camp.

Q. You had nothing to do with the purchase of 2450 dehydrated onion and dehydrated garlic?

A. None.

Q. Does Stokely-Van Camp have an approved supplier list?

A. Yes, they do.

Q. Was that supplier list in existence in 1957 when you became responsible for the purchasing of dehydrated onion and dehydrated garlic?

A. Yes.

Q. What names were on the list at that time?

A. Basic Vegetable and Gentry.

Q. That is all?

A. That is correct.

* * *

2452 Chicago, Illinois
February 21, 1961

2453 PROCEEDINGS

* * * *

WILLIAM H. WHITE recalled as a witness on behalf of the respondent, having been previously duly sworn, resumed the stand and was examined and testified further as follows:

Further Cross Examination

By Mr. Hays:

Q. You understand, Mr. White, you are still under oath?

A. Yes, I do.

Q. When were you a salesman in the southeastern section of this country?

A. Shortly after 1955.

Q. For how long were you a salesman in the southeastern section of this country?

A. I believe for approximately two years.

Q. Two years?

A. Yes.

Q. What area did you cover during those two years?

A. North and South Carolina — by state, do you mean?

Q. Yes, sir.

A. North and South Carolinas, Delaware, Mary-
2454 land, Virginia, West Virginia, Washington, D.C.

That about covers it.

Q. When you were a salesman in this area, did you also continue to sell in the New England area?

A. Yes, I did.

Q. In connection with the selling of dehydrated onion and garlic for Consolidated Foods, did you have occasion to call on the Thomas J. Lipton Company of Hoboken, New Jersey?

A. No, I did not.

Q. Did you have occasion to call on the F. H. Snow Canning Company in Pine Point, Maine?

A. Yes.

Q. Whom did you speak to there?

A. Mr. Harold Snow.

Q. Is that the elder Mr. Snow?

A. No, sir, that is the son.

Q. That is the son?

A. That is correct.

Q. As a salesman for Consolidated Foods, did you have occasion to call on the P. J. Ritter Company in Bridgeton, New Jersey?

A. I believe I have called on that account once, or pos-

sibly twice.

Q. Who did you speak to when you called on that 2455 account?

A. I don't recall the name.

Q. As a salesman for Consolidated Foods Company, did you ever call on a company by the name of Albert Ehlers, Inc. of Brooklyn, New York?

A. I have conversed on the telephone with Albert Ehlers personnel from time to time, but I don't believe that I ever made a personal call there.

Q. Did you ever talk to a Mr. Albert Keogler at that company?

A. On the telephone, yes, sir.

Q. As a salesman for Consolidated Foods, have you ever called on the Grocery Store Products Company of West Chester, Pennsylvania?

A. Yes, I have.

Q. When did you make those calls?

A. I believe between 1955 and 1958.

Q. How many calls did you make on that company?

A. Between one and three.

Q. Who did you talk to when you made those calls?

A. A gentleman who was doing the purchasing at the time, and I don't recall his name.

Q. As a salesman for Consolidated Foods, did you ever call upon the Mutual Spice Company of North Berger, New Jersey?

2456 A. Yes.

Q. When?

A. Very frequently between 1955 and to date.

Q. To whom have you spoken when you made those calls?

A. Mr. Samuel Kaltman, and Mrs. Samuel Kaltman.

Q. As a salesman for Consolidated Foods, did you ever call upon the Birds Eye Division of General Foods in White Plains, New York?

A. Yes.

Q. When did you make that contact?

A. Approximately 1958.

Q. To whom did you speak at that time?

A. I am sorry, I don't recall the name. It was a woman who was doing the purchasing. There is some question in my mind as to whether she was with the Birds Eye Division per se, or with some other Division of General Foods. I am not sure.

Q. As a salesman for Consolidated Foods, did you ever call upon American Home Foods of Milton, Pennsylvania?

A. No, I have not.

2457 Q. As a salesman for Consolidated Foods, did you ever call upon the R. T. French Company in Rochester, New York?

A. No.

Q. As a salesman for Consolidated Foods, did you ever call upon Beech-Nut Lifesavers, Inc., in Canajoharie, New York?

A. No, I haven't.

Q. As a salesman for Consolidated Foods, did you ever call upon the Bluepoints Company, Inc. of Sayville, New York?

A. No, I have not.

Q. As a salesman for Consolidated Foods, did you ever call upon the S. Gumpert Company in Jersey City, New Jersey?

A. Yes, I have.

Q. When did you make those calls?

A. To date and going back to 1958.

Q. To whom did you speak when you made those calls?

A. Mr. Milton Firkser.

Q. As a salesman for Consolidated Foods, did you ever call upon the Moore & Company Soups, Inc., in Newark, New Jersey?

A. Yes, I have.

Q. When did you make those calls?

2458 A. Again, between 19- — approximately between 1958 and to date.

Q. Who did you speak with there?

A. A Mr. Lawrence, W. A. Lawrence.

Q. Have you ever spoken to anyone else other than Mr. Lawrence?

A. Yes, I have.

Q. Would you name those people?

A. Mr. Parenti, P-a-r-e-n-t-i, or P-a-r-e-n-t-e, I am not sure which it is. And there is another gentleman whose name I don't recall.

Q. As a salesman for Consolidated Foods, did you ever call upon the American Instants, Inc., in Morris Plains, New Jersey?

A. Do they do business under any other name, may I ask?

Q. Well, do you know a man named Frank L. Cooley?

A. If that is a firm that formerly did business as the American Products Company, I believe it to be, then I have called on that firm. However, I am not acquainted with it under the name of American Instants, Inc.

Q. What name did you call upon, as far as the firm you had in mind?

A. As I say, I did call on a firm in that city, or

2459 in that area.

Q. What city?

A. Morris Plains, New Jersey. I called on a firm on one or two occasions, and as I recall it, they were doing business under the name of American Products Company, or American Foods Company.

Q. What about American Home Foods?

A. Well, I am trying to distinguish between the firm that puts out — no, it would not be the American Home Foods Company.

Q. But you did talk to a Mr. Frank L. Cooley with a company at Morris Plains, New Jersey?

A. No, I don't say that. I do say that I did make one or two calls on a firm in Morris Plains, New Jersey, and I am guessing that you are referring to that firm. I am not positive.

Q. As a salesman for Consolidated Foods, did you ever call upon a company named Standard Brands, at Peekskill, New York?

A. Yes, I have.

Q. When did you make those calls?

A. Approximately 1959?

Q. Whom did you speak with there?

A. A Mr. G. W. Hill, as I recollect it.

Q. As a salesman for Consolidated Foods, did you
2460 ever call upon the Les Pommiers Company in Lake Katrine, New York?

A. Yes, I have.

Q. When did you make that call?

A. I have called there on more than one occasion, very roughly between 1957 to 1959, and possibly 1960.

Q. With whom did you speak there?

A. Mr. Henri Rethier.

Q. You testified yesterday that when you were with Basic Vegetable Products Company that decisions were made by Mr. William F. Hume.

A. Yes.

Q. What type of decisions were made by Mr. William Hume?

A. That I had personal acquaintance with, decisions affecting sales.

Q. What type of decisions were these, were they whether to sell or not to sell?

A. Decisions on policy; as far as I was personally concerned, advice and counsel on how to handle specific ac-

counts; directions as to what accounts to spend more time with.

2461 Q. As a salesman at Basic Vegetable Products Company, did you have conversations concerning all types customers?

Mr. Walker: Conversations with whom?

By Mr. Hays:

Q. With anyone at Basic Vegetable Products Company.

A. Mr. Hays, would you clarify or repeat your question?

Q. Let me rephrase the question, Mr. White.

Didn't you have discussions with your superiors at Basic Vegetable Products Company about many customers who were not competitors of Consolidated Foods?

A. Yes.

Q. In connection with your relationship with Mr. Max Slater, will you describe what you mean when you say you had found a successful pattern of selling and collecting?

Mr. Walker: Are you quoting from the testimony, sir?

Mr. Hays: Yes, at page 2384, the witness testified, "I have found a successful pattern of selling and collecting."

By The Witness:

A. What I mean by that was I was able to keep the good relationship with Mr. Max Slater from the selling
2462 standpoint in spite of the necessity of having to be a collection man at the same time. This is always a difficult area for a salesman.

Q. Had you established a similar type of successful pattern of selling and collecting with other customers?

A. I believe so.

Q. In connection with the successful pattern of selling and collecting insofar as the Wass Food Products and Mr. Max Slater are concerned, did you form an opinion as to the financial resources of Mr. Slater and that company?

A. Yes.

Q. What was that opinion?

A. Either Mr. Slater, or through some other way, I had heard this firm started with a capital of something around $3500.00. I think this was, to me this was an account with considerable potential.

Mr. Max Slater was a very, very hard working man, who continued to try with new products. For some reason, he took me into his confidence, perhaps, to a greater extent than was common.

He constantly gave me samples of his new products, seriously, wished an opinion on them, and he consulted with me on ingredients.

I felt at that time that this had the makings of be-
2463 ing a successful operation; therefore I thought it quite necessary or desirable to keep them as an account.

Q. Did you conclude financial resources were very limited?

A. When they started, certainly they were. And they grew over a period of time, I am sure.

Q. When did they start?

A. When did they start growing?

Q. When did they start up?

A. I don't know the exact date when the firm went into business.

Q. Do you know what year it was?

A. No, I don't.

Q. Did it start up while you were a salesman with Basic?

A. No, they were in business before I first had contact with them.

Q. While you were a salesman with Basic, describe the type of products that Mr. Slater made.

A. The types products? Well, at one point he was manufacturing soup bases; at another point he developed

a seasoning spread, a paste affair; many types of sauces were experimented with, and finally a barbecue sauce.

Q. What types of products did he buy from Basic?

2464 A. What type of products did he buy from Basic?

Q. Yes.

A. That would have been in the onion and garlic field, and at one point, I believe he bought some dehydrated vegetables of other types, like celery, perhaps, or carrots.

2465 Q. What type of dehydrated onion did he buy?

A. It seems to me, Mr. Hays, that varied over a period of time. I recall him purchasing, I believe, powders and different granulations.

Q. How were these various types of dehydrated onion used in the products that he made?

A. In the case of soups, they would be part of the base of the soup; in the case of sauces, they would be ingredients.

Q. In flavoring ingredients?

A. Yes.

Q. You testified in your examination yesterday that John Sexton Company started doing business with Basic and with Puccinelli Packing Company some time while you were a salesman with Basic.

A. Yes.

Q. When did that occur? When did John Sexton start doing business with Basic, and when did it start doing business with Puccinelli?

A. If my memory serves me right, it was — well, I associate it with the acquisition of Consolidated Foods — I beg your pardon, the acquisition of Gentry by Consolidated Foods, and I believe it to be a short time after that.

Q. Before that acquisition, from what companies
2466 did the John Sexton Company purchase dehydrated onion and dehydrated garlic?

A. From Gentry.

Q. Just from Gentry?

A. To my knowledge, yes.

Q. As a salesman for Consolidated Foods, when did you call upon the Fred W. Albrecht Grocery Company in Ohio?

A. About 1958, as I recall.

Q. Did you call upon that company more than one time?

A. I believe so, I believe two or three times.

Q. In what city did you make those calls?

A. If my memory is right, it is Akron, Ohio.

Q. Did you speak with the same person each time you made those calls?

A. Yes. I recall speaking to only one person in that firm.

Q. Now, what type of business is the Fred W. Albrecht Grocery Company engaged in?

A. They are engaged in the wholesale grocery business.

Q. In what area?

A. In what area?

Q. Yes, sir.

2467 A. Excuse me, what area do they do business in?

Q. Yes, sir.

A. I don't know.

Q. What types of products did you attempt to sell the Fred W. Albrecht Grocery Company?

A. Institutional pack onion and garlic.

Q. When did you call upon the Embassy Wholesale Grocery Company in New York City?

A. From time to time from 1957, approximately, to date.

Q. And did you call upon them at any other location, other than New York City?

A. No, the buying is done in New York City.

Q. Have they purchased dehydrated onion and garlic from you?

A. Yes, they have.

Q. When did they first purchase dehydrated onion or garlic from you?

A. From me?

Q. From you, personally, as a salesman.

A. That is pretty hard to pin down, Mr. Hays. In a firm of that type, the procedure is that the orders are mailed in, mailed as they need the product. It is infrequent that an order would have been given at the time of the call.

2468 Q. Have they given a number of orders since you have been calling upon them, or one?

A. In a regular fashion.

Q. They have continued to buy in a regular fashion?

A. No, they have stopped buying from Gentry. Oh, I would say those orders stopped two years ago.

Q. That would be 1959?

A. Yes.

Q. That would be approximately nine years after Consolidated Foods acquired Gentry?

A. That is right. Excuse me, may I amend that to eight years?

Q. Approximately eight years?

A. Yes.

Q. All right. Now, how did you happen to know Bob Herrick of the Michigan Mushroom Company socially?

A. I suppose the best answer to that is that we met, we liked each other, which led to us on one occasion taking a short trip together; on several other occasions of visiting in each other's homes.

2469 Q. When you and Mr. Kraham met with Mr. Herrick, at that time when Mr. Kraham made reference to Consolidated Foods buying from Michigan Mushroom—

A. Yes.

Q. (continuing) — was this during the time that Mr. Kraham was training you as a Consolidated Foods salesman?

A. Yes, that is correct. I can almost place the date.

Q. Since 1951, have you called upon between 4,000 and 5,000 different companies in an attempt to sell dehydrated onion or garlic?

A. Mr. Hays, I have never had occasion to count them, or to stop to count them, but I believe that to be a fairly honest estimate, yes.

Q. That would average out between 400 and 500 different companies per year?

A. I believe that is about right.

Q. In addition to these calls, you had to make continuous call-backs on your regular customers, is that correct?

A. Mr. Hays, when I first went to the New York territory, the whole eastern territory was covered on a rotation basis by each salesman. This meant that at one point I was covering the whole northeast and southeast area in a rotating fashion.

2470 Q. But, during the period from 1951 to the present, you also made call-backs on regular customers?

A. Of course.

Q. That was in addition to the between 4,000 and 5,000 different firms you called upon?

A. As I say, Mr. Hays, it is still a rough estimate, but I don't know that it is too far off.

Q. How many days a week do you work?

A. Some weeks it ends up being seven, I am afraid, but normally, as far as calling on customers, generally when I first started with Gentry in the east, it is on a six day basis; it is now on a five-day basis.

Q. You also have to travel from place to place?

A. Yes, but that is done on nights or Sundays, when it is not the normal calling hours.

Q. When you were working for Basic Vegetable Products did you receive any instructions about filling out call reports?

A. Yes.

Q. Were those instructions to the effect that a call report should be extensive and complete?

A. Unless I am mistaken, Mr. Hays, there were times

when I was instructed to make call reports shorter, and at times I was instructed to make them longer.

Q. You did receive instructions from your superi-
2471 ors while you were at Basic to make more complete call reports, more extensive call reports?

A. No, I don't believe the instruction was ever that specific.

Q. While you were with Basic did any of your superiors complain about your call reports for any reason?

A. Yes.

Q. What were those complaints and who made them?

A. Not getting there on time.

Q. They said you didn't send your call reports in on time?

A. Not on time, yes.

Q. How soon after making a call were you supposed to make and prepare and send in your car [sic] report?

A. If my memory serves me right, there was once on a daily basis and then it became a weekly basis.

Q. Since 1951, have you had any employment with any company other than Basic Vegetable Products, Bostwick Laboratories or Consolidated Foods?

A. Since 1951?

Q. Yes, sir.

A. Yes, I have.

Q. What was that, sir?

A. During the period I was with Bostwick, I took a Christmas job with Marshall Field & Company here
2472 in Chicago.

Q. Is that the only other employment you have had during that period?

A. Yes.

* * *

Mr. Walker: I have a few questions.

First, I would like to have this marked as Respondent's Exhibit 197 for identification.

(Said document was marked Respondent's Exhibit No. 197 for identification.)

Redirect Examination

By Mr. Walker:

Q. This document has been marked Respondent's Exhibit 197 for identification, and it purports to be a call report dated December 1, 1953, by the salesman whose initials are "B.W." for Basic Vegetable Products Company.

Did you write this call report, Mr. White?

A. Yes, I did.

2473 Mr. Walker: At this time I will offer Respondent's Exhibit No. 197 for identification into evidence as Respondent's Exhibit 197.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit No. 197.

(Said document, heretofore marked Respondent's Exhibit No. 197 for identification, was received in evidence.)

By Mr. Walker:

Q. Now, Mr. White, this document states towards the bottom, "that there was a reciprocity situation at Gielow in December of 1953", is that right?

A. Yes.

Q. And this call report also makes reference to previous reports in the first sentence, is that right?

A. Yes.

Q. Mr. White, how was that "reciprocity situation" described to you by Mr. Gielow, whom you called on at the J. J. Gielow & Sons Company in December of 1953?

A. It was described to me as — well, what I would think of as back-scratching, that sort of thing. As I said here,

"I buy your pickles, why don't you buy my garlic?"

Q. Is that the way it was described to you on
2474 previous occasions as you have referred to in the call report of 1953?

A. Yes.

Q. Did you continue to sell Basic Products to J. J. Gielow Sons during 1953?

A. Yes, I did.

Q. In you opinion, Mr. White, why were you able to sell your products to Gielow during 1953?

A. I feel it was because I stressed to Mr. Gielow that we were serving him in a very, very satisfactory manner; we were giving him the right price; he was quite happy with the quality.

I stressed that he shouldn't tamper with what he had, that is, a successful product, by changing the ingredients. And I think somewhere along the line I probably appealed to his pride, too.

Q. Are you through, Mr. White?

A. No, I was going to add something to that.

Appeal to his pride in the sense of, "Don't let someone tell you how to run your business."

2475 Q. Mr. White, I show you Commission's Exhibit 163-A and -B, which is a memorandum written by Bill White, labeled Report No. 51, regarding J. J. Gielow Sons, Inc., dated March 22, 1954. Would you please examine this memorandum, Mr. White. (Handing document to witness.)

Have you finished examining this, Mr. White?

A. Yes.

Q. Now, Mr. White, was there any difference between the reciprocity situation described in relation to Gielow in your call report dated December 1, 1953, which is Respondent's Exhibit 197, in December, 1953, and the reciprocity situation described in your memorandum dated March 22, 1954, which is Commission's Exhibit 163?

A. Yes.

Q. What is the difference?

A. The difference, as I see here, from the salesman's standpoint, is that nothing I could do in 1954 would change the situation. Here is a situation of a man who is telling me his hands are tied, and no matter how much I talked about quality or price or delivery, I wasn't able to bring about any change, I felt, at this point.

2476 Over here, in 1953, I certainly was able to bring about a change, and I did.

Q. Now, Mr. White, you testified yesterday as follows, in relation to this company, that is the J. J. Gielow & Sons Company — and my reference to the transcript is at pages 2437 and 2437-A.

The question was:

"Question. Why did you feel that reciprocity was unfair?

"Answer. I suppose there was a certain amount of subjective feeling in the matter. It meant No. 1, I was going to lose business. If it were correct in the fashion it was told to me by Mr. Gielow, then I might feel it was a sales weapon which was being used which I would find very difficult to combat."

What did you mean, Mr. White, when you said, "If it were correct in the fashion it was told to me by Mr. Gielow"?

A. I meant that my k[illegible]ledge of this was confined to what Mr. Gielow told me.

Q. What were you referring to when you used the words, "the fashion it was told to me"?

A. Well, I am referring very much to what I have said in this letter of March 22, 1954.

Q. What is that, Mr. White?

2477 A. Well, in other words, this is a situation that I felt I could not cope with. Here is a man telling me

that in spite of all that I might be able to offer him, he cannot buy. He is being forced to buy some place else.

Q. Had you ever been told prior to March, 1954, by anyone at Gielow that they were forced to buy from Gentry?

A. No, I had not been.

Q. Now, Mr. White, you testified, and I quote again, and I am referring to this fashion in which it was told to you, "it was a sales weapon which was being used which I would find very difficult to combat."

What sales weapon were you referring to?

A. The sales weapon of force. The sales weapon of saying, "If you don't buy from me, I won't buy from you."

Q. Mr. White, you testified yesterday in your opinion the relationship between Gentry and Consolidated did not adversely affect your ability to sell dehydrated onion and garlic while you were a salesman for Basic.

Now, specifically on what do you base that opinion, Mr. White?

2478 A. I base it on my experience.

Q. Well, tell us what that experience is, Mr. White, what factors or things are there that lead you to the conclusion this relationship didn't adversely affect your ability to sell dehydrated onion and garlic when you were working for Basic?

A. Because of the general picture, I personally gained more than I lost.

Q. Will you tell us what you mean, please, Mr. White, when you say you gained more than you lost, in your opinion?

A. By that I mean this: With the exception of the Monarch Divisions which we recognized we wouldn't sell, we did pick up business from many firms who were more inclined to buy from Basic than they were from Gentry after Gentry

because a part of Consolidated Foods. I am thinking of, for instance, such as Sexton.

Q. What was the loss, Mr. White?

A. Well, the only loss that affected me personally was J. J. Gielow in 1954.

Q. When you say that in your opinion you gained business from a number of companies, are you referring to the companies you have already testified to, such as
2479 Sexton, and companies like that in the Chicago area?

A. Yes.

Q. Do you know of any specific other companies than Sexton?

A. Mr. Walker, that is a nebulous area, because many people don't tell you why they are now gladder to see you than they were last month, or two weeks ago, or whatever the time period may be. I hate to be so vague, but in selling, this is something you sense very often more than you have written evidence of, or even spoken evidence of.

Q. This is just an opinion, is that right?

A. My opinion.

Q. Now, Mr. White, you testified that Mr. Kraham said to you at the time you started to work for Gentry, and I quote from your testimony: "Gentry would not hire me to work in the Chicago area."

Did Mr. Kraham tell you why Mr. [sic] Gentry would not hire you to work in the Chicago area?

A. Yes, he did.

Q. What did he say?

A. Mr. Kraham would have liked me to work with him. He strongly indicated, however, when he called me on the occasion referred to here, he said that the officials of
2480 Gentry would not consider hiring me for Chicago, because they felt that would be taking an unfair advantage of competition, or might be considered raiding of

the competitors' salesmen, and they did not engage or wish to engage in such a practice.

He continued to tell me, however, that there was an opinion in the New York area, and if I would be interested in that, then he felt there was a job with Gentry for me.

Q. Mr. White, you testified on cross examination about some sauces made by the Wass Company. Do you know the brand name of their better known sauce?

A. Yes. The best known and most successful is Open Pit Barbecue Sauce.

Q. When did that Open Pit Barbecue Sauce really begin to start selling good, if you know, Mr. White?

2481 A. I find it difficult to confine it to a particular time or date.

Mr. Walker: No further questions.

Mr. Hays: I have a few more questions, Mr. White.

Recross Examination

By Mr. Hays:

Q. I show you Respondent's Exhibit 197 and Commission's Exhibits 163-A and -B, and ask you to state which one of these was written first?

Mr. Walker: He has copies there if you want him to use them, Mr. Hays.

The Witness: Is this the same as this? (Indicating)

Mr. Hays: Yes, sir.

By Mr. Hays:

Q. Which was written first?

A. Well, obviously this was written first (indicating).

Q. What do you mean by "this"?

A. December 1st, 1953.

Q. That is Respondent's Exhibit 197?

A. Yes.

Q. While you were working for Basic, did you sell to customers who also purchased dehydrated onion and garlic

from Gentry since 1951—I mean the Gentry Division
2482 of Consolidated Foods?

A. Yes.

Q. Those would be called split stops, wouldn't they? You call them a split account?

A. I am not familiar with that particular term, but I believe I understand what you mean.

Q. A number of those split accounts also sold to Consolidated Foods, did they not?

A. That would be very hard for me to answer specifically. I could guess that perhaps some of them did, but if you ask me who did sell to Consolidated Foods or who did Consolidated Foods buy from, I don't know.

Q. In other words, you didn't even know where reciprocity was possible, did you?

A. I knew in some cases certainly.

Q. But you didn't know in all cases, did you?

A. No, I did not know in all cases.

Q. In many cases you didn't even know who your customer sold to, did you?

A. That is correct.

Q. Now you have testified that Mr. Kraham told you that he didn't want to hire you in the Chicago area or Consolidated Foods didn't want to do that because it would be taking—it might be considered as raiding or taking unfair advantage of competitors, is that right?

2483 A. That is correct.

Q. Did you believe Mr. Kraham?

A. Yes, I believed him.

Q. Do you still believe him on that point?

A. Yes, indeed, absolutely.

Mr. Hays: That is all we have, your Honor.

Hearing Examiner Kolb: Did they hire you in the Chicago area?

The Witness: I beg your pardon?

Hearing Examiner Kolb: Did they hire you in the Chicago area?

The Witness: Yes, they did, sir.

Hearing Examiner Kolb: After that statement was made?

The Witness: Yes, your Honor, they did.

Hearing Examiner Kolb: That is all.

Mr. Walker: Excuse me, your Honor.

I think maybe there is a misunderstanding here.

Redirect Examination

By Mr. Walker:

Q. How long did you work in the Chicago area as a salesman for Gentry, Mr. White?

A. Approximately one week.

Q. And then where did you go?

A. To New York.

2484 Hearing Examiner Kolb: Weren't you the man who testified that you worked in Chicago for two weeks and then you were out on the road and then you came back to Chicago and then went out again, or was that someone else?

The Witness: No, that was for Basic Vegetable Products.

Hearing Examiner Kolb: That was for Basic and not for Gentry?

The Witness: That is right, sir.

* * *

2485 WILLIAM L. MacMILLAN was thereupon called as a witness on behalf of the respondent, and having been first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. William L. MacMillan.

Q. Where do you live, Mr. MacMillan?

A. 3003 Penbrooke Road, Toledo 6, Ohio.

Q. What is your occupation, sir?

A. I am president of the Woolson Spice Company and the James H. Forbes Tea & Coffee Corporation.

Q. Would you state in what business each of those companies is engaged?

A. The Woolson Spice Company is an importer, manufacturer and distributor of coffee, tea, spices, extracts, and related products.

Q. As to Forbes, in what business is that engaged?

A. Forbes was in the same type business except that we discontinued the roasting of coffee in October of 1960.

Q. Where is the general office of the Woolson Company located?

A. Toledo, Ohio.

2486 Q. Where is the general office of the Forbes Company located?

A. In St. Louis.

Q. What is the corporate relationship between Woolson and Forbes?

A. Forbes is a wholly-owned subsidiary of the Woolson Spice Company.

Q. When was Forbes acquired by Woolson?

A. May of 1956.

Q. Is the Woolson plant located in Toledo, Ohio?

A. We have a— Woolson's plant is in Toledo, yes.

Q. And where is the Forbes plant?

A. At 922 Clark Street, St. Louis, Missouri.

Q. Would you please describe what the spice portion of your business consists of, Mr. MacMillan?

A. Spices, we import some of them from foreign countries ourselves, but the major portion of them are purchased from New York importers or from importers in other parts of the country.

After the spices are received by us in our Toledo, Ohio

and St. Louis plants we clean them, grind them, package them into all size containers from a small one-sixty-fourth ounce of saffron up to a 250 pound barrel of ground spices.

Q. To whom do you sell your products, Mr. MacMillan?

2487 A. We sell the packaged merchandise to wholesale grocers, chain stores, supermarket groups; then we have some institutional packs that we sell to the institutional jobbers and wholesalers; and then we do a large business with the food processors, food manufacturers.

Q. Approximately what percentage of Woolson's products are sold under your own labels?

A. We are a prive [sic] brand manufacturer and as a result of that I would say nearly 95 per cent of everything we sell is under somebody else's brand name; 5 per cent, therefore, would be under our name.

Q. Approximately what percentage of Forbes' products is sold under its own labels?

A. Forbes' package business is primarily their own, Forbes' brands; therefore I believe about 75 per cent of their business would be Forbes' label and in the bulk field sometimes it is a little difficult to tell.

You might put out a barrel of chili powder which might bear their name whereas in other instances the customer might want it merely to show that it was chili powder with no brand name on it, and they would oblige the customer in that respect.

Q. During what period of time has Woolson sold products to any units of Consolidated Foods Corporation?

A. We sold to Lee Foods before Lee Foods became
2488 a part of Consolidated. Gee, I don't know, but it would seem like we sold Lee Foods back in '47 or '48 the first time and continued to sell them after they became part of Consolidated.

That is about the only one. We may have made an occa-

sional sale to a wholesale grocer that was part of Consolidated, but there weren't too many of them.

Q. During what period of time has Forbes sold products to any units of Consolidated?

A. Forbes had some business with Consolidated in the Kansas City area before we got into the picture with Forbes, but I don't believe it amounted to much volume, and the only reason they are now packing any for Consolidated is because they are located closer to the Kansas City market where Lee Foods and Hershey do business, but we only pack institutional items for Monarch in the St. Louis area, in the St. Louis plant.

Q. What was the approximate volume of Woolson's sales to Consolidated in 1958?

A. About $270,000.00.

Q. About what percentage did Woolson's sales to Consolidated bear to its total sales in that same year?

A. That would be slightly less than 2 per cent.

Q. What has been the trend of your sales to Consolidated since 1950, Mr. MacMillan?

2489 A. The trend of sales to Consolidated since 1950? Well, it has been — if you go back to 1950, it has been increasing.

Q. What were the reasons for that increase?

A. I would imagine the first major breakthrough in sales to Consolidated was back to 1956, when Consolidated Foods decided to discontinue the packing of spices and extracts in their Pierceton, Indiana plant. At that time they put the business up for competitive bidding to decide who should pack their spices and extracts.

We were one of the bidders along with several other people and we got the spice end of the business and we didn't get the extracts, they went to another manufacturer. But that did give us the rights to pack — or not the rights, but at least the privilege of packing Monarch and Richelieu spices.

2490 Q. Mr. MacMillan, how do you sell the Monarch and Richelieu spices to the individual distribution units of Consolidated Foods Corporation?

A. Our own salesmen call on each of the Monarch branches. We also call on any of the food processing units. We call on them and some of the orders come in by mail from the customer as they do from all our customers. Our salesmen on the average don't take probably more than 20 percent of the orders when they call on a customer; the balance come in by mail or telephone.

Q. Are there any Consolidated units that could use Monarch and Richelieu spices packed by you but do not do so?

A. Yes, quite a few, unfortunately. We have had little or no luck selling to Piggly Wiggly in Rockford of Marshalltown the one in Iowa, anyway — Waterloo, I believe it is. We sell Piggly Wiggly in St. Paul only a few items, pepper and cinnamon in limited quantities. Some of the wholesalers do not buy — some of the Monarch wholesalers do not buy from us, they prefer to buy from a local supplier in some instances.

Q. What about the processing units, Mr. MacMillan?

A. That is about the same type of thing. We have
2491 tried unsuccessfully to sell Sara Lee because we felt that would be a very good outlet for us on spices. It is strange that we sell some of the largest and best food manufacturers in the United States, but we haven't been able to sell a single Consolidated processing unit up to date, but we are still willing to take the business if we can get it.

Q. In your opinion, Mr. MacMillan, and based on your experience, why have you been unable to sell Monarch and Richelieu spices to the Consolidated retail and wholesale units?

A. Well, as I understand it, Piggly Wiggly, to whom we have made several propositions or proposals trying to get their business, are more or less an autonomous group, they

seem to be able to buy what they want and where they want. There is Durkee, I believe they are a Durkee distributor down there, and they have just never taken on the Monarch line. Klein's in St. Paul, it was the same thing, it was a Durkee account. We were trying to get the business and yet they recently switched and went to Schilling, and didn't give us,— to my mind I didn't think they gave us a fair consideration.

Q. How long have you been president of Woolson, Mr. MacMillan?

2492 A. Just since January of 1960.

Q. What were your duties with Woolson prior to that time?

A. Prior to that time I was vice president and general sales manager, and also I was manager of the spice and coffee — pardon me, spice and tea departments.

Q. How long were you manager of the spice and tea departments, sir?

A. Since 1946.

Q. Since 1950, Mr. MacMillan, who has made the decisions as to Woolson's sources of supply for dehydrated onion, dehydrated garlic and capsicums?

A. I have.

Q. From what companies has Woolson purchased onion and garlic?

A. We have bought onion and garlic only from Basic and from Gentry.

* * *

2494 (Said document, heretofore marked Respondent's Exhibit No. 198 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. MacMillan, why did you start purchasing dehydrated onion from Gentry in 1950?

A. It is difficult to say the exact date. We may have

purchased something from Gentry before that which doesn't show up because we don't have a record back that far, but somewhere along the line I recall that Gentry came to us and asked us to be a distributor of their No. 10 tins of Gentry Sliced Onion, and we thought it was something on which our salesmen could make a little sales
2495 commission and our company could make a little profit, and we added it to the line.

Q. What were you buying from Basic at that time?

A. I believe at that time we might have been buying a few No. 10 tins from Basic, but nearly everything else was onion and garlic that we used to make our onion and garlic salts, just those two items.

At that time we didn't sell straight onion powder and garlic powder.

Q. When did you start buying from Gentry any types of dehydrated onion and garlic other than that packed in the No. 10 tins?

A. I think—I checked our sales of flakes and they weren't as much as this tonnage here, so it would be in 1952 probably is when we started buying more items from Gentry.

Q. And why did you begin to buy these other items, these other types of onion and garlic from Gentry?

A. At that time I believe they had a 5,000-pound minimum shipment, we had to buy 5,000 pounds at a time to get the maximum discount.

Quite often we didn't need 5,000 pounds of the No. 10 tins and we therefore would conceivably buy 2500 pounds of No. 10 tins and add 2500 pounds of other onion and garlic to make up the minimum quantity.

2496 Q. Now according to Respondent's Exhibit 198, Mr. MacMillan, you began to buy garlic from Gentry in substantial quantities in 1955 and you also increased your onion purchases from Gentry quite substantially in that

year, that is, 1955.

What was the reason for these increased purchases?

A. I believe the primary customer for that particular product was a company in Michigan called the Lake Odessa Canning Company.

Basic had been supplying them with onion and garlic and it just happened that our Michigan salesman who had saved his money when he was young had some money to invest and he invested the money many years ago in the Lake Odessa Canning Company. He was on their board of directors and was very closely affiliated with the president of the company.

One day he said, "I don't see why I can't have this onion and garlic business." Lake Odessa, I believe was making dog food for, I believe, it was Morrell. It was on a total basis deal where they manufacture the dog food and in that they used considerable quantities of onion and garlic.

We approached Basic and said, "How about letting us act as a distributor for the onion and garlic," and Basic,
since they already had the customer, didn't see where
2497 they could gain anything.

They turned us down. And we went to Gentry and said, "How would you like to have Lake Odessa's onion and garlic business?" They let us act as a distributor and we handled the business from then on until they quit using dehydrated onion and garlic a couple of years ago.

Q. Is there any other factor accounting for your increased purchases of dehydrated onion and garlic from Gentry in 1955, Mr. MacMillan?

A. Yes, I think so. I think at that time or about that time Gentry changed their operation regarding the contacting of small accounts. At one time we used to wonder what they were trying to do. They called on every little sausage maker, every small account, and tried to sell them onion and garlic.

They would get an order for 50 or 100 pounds and it would cost them a fortune to sell it and ship it. It seems like about that time they decided they were going to work through distributors and they came to our company and said, "We will send in orders to you or tell these smaller firms to buy their onion and garlic from you if you will handle Gentry merchandise and ship it to them."

And we agreed to do it.

2498 Q. Now, Mr. MacMillan, directing your attention again to Respondent's Exhibit 198, this shows that your purchases from Gentry have increased substantially since 1955, whereas your purchases from Basic have declined somewhat during this period.

What were the reasons for this trend?

2499 A. Well, there would probably be many reasons involved. One would be the willingness of Gentry to go out and call on customers and put the business through us, whereas Basic right in our own home town of Toledo called on meat packers and refused to turn those accounts over to us. They wanted to continue selling them direct.

Then the other thing would be our natural increase in the sale of onion and garlic. If you will look at our total purchases, you will see that the growth has been tremendous.

The other thing might be our spice business in the past since 1950 has more than tripled overall which would naturally mean we would buy more onion and garlic, and I would have to say that the fact at that time was that we were packing spices for Monarch and Richelieu and we certainly felt they were entitled to get Gentry's onion and garlic in their own packages. That meant that we wanted to avoid duplicate inventories as much as possible to maintain turnover and increase profits.

That probably would be as close as I can tell why.

Q. The fact that you were the private label supplier of spices to Consolidated Foods Corporation was one

2500 factor accounting for your increased purchases of dehydrated onion and garlic from Gentry?

A. Oh, certainly. I am sure that the fact that we packed for them meant that we felt more friendly towards them. We felt they had been nice to us by letting us pack their spices and we naturally wanted to do all we could for them as far as packing their products.

Q. Why have you continued to buy anything from Basic, Mr. MacMillan?

A. We liked Basic. Frankly, we liked Basic, we liked the people who run the Basic Company, they are a nice company. We had some customers who insisted on Basic products. We had one customer in Cleveland who refused to buy any Gentry material at all and we therefore carried some Basic onion and garlic in the warehouse even though we would have preferred not to have the duplicate inventory.

Mr. Walker: This is Commission's Exhibit 165, which is a memorandum written by Jim Benzies of Basic Vegetable Products, Inc., to Mr. R. J. Sparling, dated April 18, 1956.

By Mr. Walker:

Q. I will ask you to read this, please, Mr. Mac-
2501 Millan.

A. Not out loud?

Q. No, just examine it, please.

Now, Mr. MacMillan, directing your attention to this exhibit, Commission's Exhibit 165, in the fourth paragraph referring to the fact that Woolson had been given the Consolidated spice packing contract, it states:

"On the basis of this contract, Woolson feels obligated to buy everything from Gentry."

Did you ever tell Mr. Benzies that you felt obligated to buy everything from Gentry?

A. No, the word "obligated" would not be anything I would use because if I had felt obligated, I would have bought everything from them, whereas that was not the case.

Q. Now Mr. Benzies also says, and I quote:

"Mac gave me an order for 600 pounds of material for immediate shipment and said he would 'throw us a bone' whenever he could."

Did you ever make that statement?

A. The term "throw us a bone" is to the best of my knowledge not anything that has ever been in my vocabulary, and I never used the expression in my life that I know of. It just doesn't happen to be one of the 2502 things I would say.

Q. Does Woolson compete with Gentry in the production and sale of any products?

A. Actually we compete in quite a few areas. Gentry sells onion and garlic to large users where we have tried to get the business unsuccessfully, the very large ones, because there is just no room in the pricing structure for us as a distributor. But they also compete with us on paprika, crushed red pepper, ground red pepper, ground oregano, ground cumino—at least that is all I can recall at the moment.

Q. What was the approximate volume of Woolson's purchase of capsicums in 1958?

A. As I recall the figure, it was up around 570,000 pounds.

Q. About how much of this was brought from Gentry?

A. About 110,000 pounds.

Q. Mr. MacMillan, has Woolson ever encountered any difficulty in selling Gentry's dehydrated onion and garlic because of the fact that Gentry is a part of Consolidated Foods Corporation?

A. Yes, we have. We have had several customers who have told us they would not buy Gentry sliced onion 2503 in No. 10 tins from us, for example, because they didn't like to buy from Consolidated Foods who are competitors of theirs in the wholesale grocery field.

Mr. Walker: This is Respondent's Exhibit 199 for identification.

(The document referred to was marked Respondent's Exhibit 199 for identification.)

Mr. Walker: Respondent's Exhibit 199 is a tabulation of the purchases of dehydrated onion and garlic by the James H. Forbes Tea & Coffee Corporation. Again the Gentry data comes from the Service Bureau Corporation; the other data comes from Forbes' records.

By Mr. Walker:

Q. Directing your attention to this exhibit, please, Mr. MacMillan, where was the data on purchases from Basic and Puccinelli obtained?

A. From Forbes' use and sales records.

Q. How far back do those records go?

A. Unfortunately they had a very poor accounting system down there and anything beyond 1954 was just about impossible to get.

Q. Was this data obtained at your request and pursuant to your instructions?

A. Yes.

2504 Q. Would you be willing to make the records from which this data was obtained available to the government for inspection?

A. Yes, I would.

Mr. Walker: We will offer Respondent's Exhibit 199 into evidence, Your Honor.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 199.

(Whereupon, the document referred to, heretofore marked Respondent's Exhibit 199 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. MacMillan, you have testified that Forbes was acquired by Woolson in 1956, is that right?

A. That is correct.

Q. From what source did Forbes obtain its dehydrated onion and garlic in the years 1956 to 1958?

A. Well, as I can see from the record, dehydrated onion and garlic came almost exclusively from Basic.

Q. Why was that, Mr. MacMillan?

A. Well, our general manager and the man who handled purchases in St. Louis was, I would say, more friendly towards Basic than he was towards Gentry and he preferred to keep Basic. The customers he claimed were used to
2505 Basic's material in the warehouse, and he wanted to to continue it, and we let him continue buying as he had for years.

Q. Since 1958 has Forbes purchased more onion and garlic from Gentry than it did before that time?

A. Since 1958, yes, but not really until 1959 and '60 did they—and probably the latter part of '59 or early part of '60 before they actually bought much from Gentry.

2506 Q. Why did they increase their purchasing from Gentry?

A. Well, when our general manager at St. Louis resigned, which I believe was around October 1st of 1959, we consolidated purchases in Toledo to have central buying and in some instances we—1959—I don't believe in '59, but sometime in '60 we did give Gentry some onion and garlic business.

Q. Why did you give it to Gentry?

A. Primarily because they offered to go out and work the trade for us in the St. Louis area as they had in the Toledo area. We had seen the job they had done for us in Toledo.

Forbes had always done a very poor job on No. 10 tins in sales to wholesale grocers, and we thought if they could do the same thing in St. Louis, they certainly warranted a try.

Q. Was there any other reason for giving business to Gentry, Mr. MacMillan?

A. Other than probably the same as in Toledo, we felt that we should buy wherever possible from a customer that we were supplying.

I just happen to feel that is good business.

Q. Mr. MacMillan, before you were contacted in connection with your appearance as a witness, had you ever talked with anyone about a relationship of any kind
2507 between Woolson's or Forbes' sales to Consolidated, and their purchases of dehydrated onion, dehydrated garlic or capsicums?

A. I am sure I did. I know that I did talk to Benzies when he was in the office. The words I used, I wouldn't recall exactly.

I know those I didn't use. I probably talked to—there is another man who called on us from Basic, there has been a couple of them, but I don't remember the names of the other ones.

I wouldn't say it was MacArthur, but I can't remember whether he was from Gentry or Basic, but he may have been with Benzies on a call and I discussed it with him, I am sure.

I also recall talking over the telephone at least and maybe in person with Marty Kraham of Gentry.

Q. Would you please describe the conferences you had with each of those persons on this subject?

A. Benzies of course was doing everything he could to hold the business and keep the business since they had enjoyed it for a number of years, even though our purchases from them had been—I mean, purchases from Gentry had been going up prior to our beginning to pack the spices, but naturally like any good salesman, he wanted to hold onto a chunk of business like this, he didn't
2508 want to see it go, and I am sure we did discuss it.

That's about all.

Q. What did you say to him?

A. I am sure I told him that wherever possible we felt that it was just good business to buy from a customer. I do they same thing in my own home.

Where H. J. Heinz Company are big customers of ours, I wouldn't think of buying any catsup but Heinz for our dining room, and in our dining room at the plant, Heinz catsup is on every table.

It is just something we feel is only right that we should support our customers. If Heinz sold onion and garlic, we would probably buy some from them.

Q. What was your conversation with Mr. Kraham on this subject, Mr. MacMillan?

A. Mr. Kraham I believe might be termed a little different. Marty Kraham might come right out and use the term, "Well, we buy from you, why don't you buy all of your onion and garlic from us?" I am sure that is probably the gist of his conversation.

But that, too, it is like all salesmen, he is out to get all of the business he can. I looked at it from that attitude and paid little or no attention to it.

2509 Q. Now have you had any other kind of communication on this subject other than these conversations that you have mentioned?

A. Not to the best of my knowledge, I don't recall any.

Q. Well, Mr. MacMillan, what effect has the fact that Consolidated is a customer of Woolson's had on the volume of Woolson's or Forbes' purchases of dehydrated onion and dehydrated garlic from Gentry since 1950?

The Witness: Would you state that again? I didn't quite get it all.

Mr. Walker: Read it.

(The reporter read the question as follows:

"Question: Well, Mr. MacMillan, what effect has the

fact that Consolidated is a customer of Woolson's had on the volume of Woolson's or Forbes' purchases of dehydrated onion and dehydrated garlic from Gentry since 1950?")

By the Witness:

A. I could only conjecture in that because there are so many thing involved.

Our natural growth in the sale of onion and garlic. Consumer size packages of onion and garlic were less than one per cent of the total spice business 10 years ago; today, according to some figures I have in my briefcase, 2510 there, I believe they run about 8 per cent. The growth has been tremendous. That would account for an increase in purchases from Gentry normally.

Then the business that they put through us like getting this Lake Odessa Canning Company, like working with wholesalers to get No. 10 business, all of that would have a natural growth.

And on top of all that, I am sure that the fact that we were selling spices or packing spices for Consolidated made us favor them more, give them more business than we might otherwise have given them. But a lot of it was due to their sales aggressiveness.

Mr. Walker: No further questions.

Cross Examination

By Mr. Hays:

Q. Since you have consolidated your purchasing and the general manager of the J. H. Forbes part of your company has resigned, do you anticipate that you will give more and more of your business to Gentry and less and less to Basic?

A. I would say that would be the natural trend. We are still buying some from Basic. Forbes is buying some. In fact, we bought from Basic at Woolson in 1960, we

gave them a 15,000-pound order, as I recall, in August, or sometime in 1960, but the trend would be if Gentry
2511 will go out and do what they have done for us in the Toledo area, go out and work the trade and bring in business, a trend which Basic has never done for us, something which Basic have never done for us, at least the trend would naturally be toward giving them more and more business.

But we will still probably continue to handle Basic in both places because there are some customers who just refuse to buy Gentry merchandise.

Q. Now do you recall this meeting with Mr. Benzies that is the subject of the memo dated April 18th and is in the record as Commission's Exhibit 165?

A. Well, I wouldn't remember it as being that exact date, but I remember Benzies being there a number of times. I don't believe he comes as often as he used to, but he does come several times a year so that I know I did talk to Benzies, yes.

Q. Do you remember the time you broke the bad news to him?

A. Well, actually apparently we had been awarded it at that time—that is what I was just looking at, to see. It says "We had contacted—" I think probably prior to that, however, he had an inkling of it because I think he had heard a rumor to the effect that we were getting the business, so I don't believe it came as a shock to him.

2512 Q. But you did as a gentleman tell him?

A. Oh, I surely told him that we had gotten the business from Consolidated, and I think naturally he would have been concerned about it.

Q. And you did forecast something of the result, but you didn't tell him you were obligated to buy from Consolidated?

A. The word "obligated" I would not use because we

weren't obligated. There wasn't anything ever said in that —it may seem strange, but with all of the negotiations with Consolidated Foods for this business, the term "You buy my onion and garlic or our products" was never mentioned.

Q. Obligated is too strong a word, then?

A. Yes, I would say the word "obligated" is definitely too strong a word because we weren't obligated.

Q. But you did feel it was good business.

A. I personally feel and I believe our company feels, as I stated earlier, that it is just good sound business to buy from a customer whenever possible,—I mean, considering and assuming that—I wouldn't pay a customer a premium; their quality and their price has to be competitive, but all things being equal, then I would prefer to give the business to a customer.

2513 Q. And did you express this to Mr. Benzies at that time?

A. I could well have told him that, not the way he worded it, but I could have told him that we naturally felt that throughout the years we would give them more business.

Q. And by "them" you mean Consolidated?

A. Consolidated. You see we had purchased from Gentry long before I ever went with the company on some products.

• • •

2514 JOHN D. WARFIELD was thereupon called as a witness on behalf of the respondent, and being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your name, please?

A. John D. Warfield.

Q. Where do you live?

A. 835 Thatcher Avenue, River Forest, Illinois.

Q. What is your occupation, Mr. Warfield?

A. Manufacturing.

Q. With what company are you associated, sir?

A. I am President and Treasurer of the Thomson & Taylor Spice Company.

Q. In what business is that company engaged?

A. Processing and manufacturing of flavor extracts.

Q. Where is the company located, sir?

A. 4405 South Western Avenue, Chicago.

Q. Please describe the corporate history of Thom-
2515 son & Taylor Spice Company, Mr. Warfield.

A. Prior to 1951 Thomson & Taylor Spice Company was a division of the Warfield Company, located in Chicago, which company was controlled by my family, and I was president of the Warfield Company from 1951 to 1952 — or, in 1951, the business was sold, and from 1951 to 1952 I remained as Chairman of the Board of the company on a salary basis.

In 1952 another party and I purchased the spice and extract business of the Thomson & Taylor Spice Company, including the name, and moved it out on Western Avenue. I simply had an interest in the company from 1952 to 1956, and was not employed there.

In 1956, I purchased the company completely, and have since been operating it as President and Treasurer.

Q. In the years 1951 to 1952, under what style or name was the business carried on?

A. The Warfield Company, with three operating divisions, including Thomson & Taylor.

Q. So the name Thomson & Taylor Spice Company was carried on, although it has been apart, a different unit and operated by different people as you have described?

A. That is correct.

Q. Do you sell your spices in both bulk and less
2516 than bulk size, Mr. Warfield?

A. Yes.

Q. To whom do you sell the bulk spices?

A. Food processors.

Q. And to whom do you sell your less than bulk spices?

A. To chain stores, supermarkets, wholesale grocers, and some retailers.

Q. Under what labels are your products sold?

A. Principally our own label, but also under a factory label of products which we distribute, and some customers' labels on packaged spices and flavoring extracts.

Q. Through what channels are your products marketed, Mr. Warfield?

A. Salesmen and brokers.

Q. In what years were Thomson & Taylor products sold to any units of Consolidated Food Corporation?

A. Since 1951, only 1955.

Q. What was the amount of sales to Consolidated that year?

A. Approximately $500.00.

Mr. Hays: What year was that?

The Witness: 1955.

By Mr. Walker:

Q. For what purposes did you use dehydrated
2517 onion and garlic?

A. We distributed it in bulk packages and in smaller packages under the packer's label, and we package it also under our own brand in small containers; and we use it in the bulk size in mixes, special mixes, spice mixes, primarily.

2518 Q. Which of these uses accounts for most of your sales, Mr. Warfield, the dehydrated onion and garlic sales?

A. I would say the larger proportion would be as distributor of the onion and garlic products.

Q. To what types of customers do you sell dehydrated onion and garlic as a distributor?

A. In the bulk sizes to food processors, and in the smaller sizes to institutional distributors, and in a few cases to institutions direct.

Q. Who has made the decisions as to the sources of supply of dehydrated onion and dehydrated garlic and capsicums for the Thomson & Taylor Spice Company since 1956?

A. I have.

Q. You are familiar with the sources of supply used by Thomson & Taylor prior to 1956?

A. Only in a general way. I was not active in the busness from 1952 to 1956.

• • •

2520 (Whereupon, the document referred to, heretofore marked Respondent's Exhibit 200 for identification was received in evidence.)

By Mr. Walker:

Q. Now, Mr. Warfield, Respondent's Exhibit 200 shows that Thomson & Taylor has purchased most of its requirements of dehydrated onion and garlic from Gentry since 1946 except for those years 1951 to 1953. Why is that, based on your knowledge, sir.

A. I can only speak with definite information since 1956, because I handled the actual purchases myself. Prior to that the head of our spice department did the purchasing, and I would only be indirectly acquainted with it.

Taking the period since 1956, which I believe would apply to the prior years, we purchased onion and garlic products from Gentry because we were satisfied with the product, and their service, and their prices. Also,
2521 since 1956, the Gentry Chicago office has cooperated very closely with us in referring smaller accounts to us for distribution of their products, and in general they

have aided in the sale of these items.

Q. Has Thomson & Taylor acted as distributors for Gentry's dehydrated onion and garlic?

A. Yes.

Q. During what period of years, Mr. Warfield, did Thomson & Taylor act as distributor for Gentry's dehydrated onion and garlic?

A. I will have to refer to the figures on this exhibit, which speak for themselves.

Since 1956 practically without exception we have handled only Gentry's dehydrated onion and garlic because it was advantageous to us to get the lowest quantity prices and get shipments from the West Coast.

Q. Do you know, Mr. Warfield, whether Thomson & Taylor took on the distributorship for Gentry products in 1954? Did they, to your knowledge?

A. Yes.

Q. Do you know whether Thomson & Taylor was a distributor for Gentry's dehydrated onion and garlic in any portion of the years 1946 to 1950?

A. Again, I can only refer to the figures here, and
2522 we must have been, based on the quantities purchased.

Q. Mr. Warfield, why has your company continued to distribute Gentry's products in recent years rather than the products of Gentry's competitors?

A. I can only refer to what I said before when you asked the reasons for handling Gentry's products, that since 1956 when I have had active control of the business and the purchases, we have been satisfied with their products and service and prices, and we felt that their Chicago office, particularly, was very helpful in building volume of these products through us as distributor.

Q. Have you given any consideration to the distributing of Basic dehydrated onion and dehydrated garlic?

A. Not since 1956, no.

Q. Why is that?

A. We have not been solicited, and we are perfectly satisfied with the Gentry setup.

2523 Q. Mr. Warfield, we have informed the Hearing Examiner that we talked with witnesses prior to their testimony.

Before you were contacted in connection with your appearance as a witness, have you ever talked with anyone about a relationship of any kind between your sales to Consolidated and your purchases of dehydrated onion and dehydrated garlic or capsicums?

A. No.

Q. Have you had any kind of communication on this subject?

A. No.

Q. Referring to those years when you had knowledge as to purchasing of dehydrated onion and garlic, what effect has the fact that Consolidated was a customer and is a potential customer of Thomson & Taylor had on the volume of your purchases of dehydrated onion and dehydrated garlic from Gentry?

A. None.

Mr. Walker: We have no further questions.

Cross Examination

By Mr. von Brand:

Q. Mr. Warfield, am I correct in my understanding that you have sold products to Consolidated only in 1955?

2524 A. That is according to our records, yes.

Q. Am I also correct in my understanding that you have been in charge of selecting sources of supply of onion and garlic since 1956?

A. That is right.

Q. Have Basic solicited your business since 1956?

A. I believe on two occasions — I want to correct what

I said prior — I believe on two occasions we were solicited by Basic.

Q. Only two occasions?

A. That is right, or maybe two or three.

Q. At what time did you become aware that Consolidated acquired the Gentry Company?

A. It was public knowledge, and I won't guess the year— I don't want to guess the year, but I would say three or four years ago.

Q. Did you know by 1956?

A. I can't answer that.

Q. Since 1956 have you been solicited by Puccinelli?

A. That is about the same as Basic, once or twice.

Q. Did you give Puccinelli any consideration, sir?

A. No, I simply said we were satisfied with the present arrangement, and didn't want to make a change.

Q. Did you have any opinion about the quality of Puccinelli's products at the time you made that decision?

2525 A. From memory, the quality was satisfactory.

Q. Now, prior to 1956, it is my understanding that the head of your spice department did the purchasing, and you didn't have a hand in it?

A. That is correct, only in an advisory capacity in the control of purchasing generally.

Q. Did you have to approve the sources of supply?

A. Not necessarily. The head of the spice department had the authority to make whatever arrangements he thought best.

Q. The head of the spice department had some latitude in making the decision, and was not under your direct control?

A. Yes.

Q. The head of the spice department could make these decisions on his own, then, and didn't have to report his reasons for making a decision at the time?

A. That is right. Generally it was discussed when a move of that kind was made, as a matter of policy; but I did not have to approve them.

Incidentally, your questions are really prior to 1951, when I was president of the Warfield Company, and the spice department was handled by the spice department manager.

Q. Now, I direct your attention to Respondent's
2526 Exhibit 200, Mr. Warfield.

It is my understanding that the Basic data and the Puccinelli data was compiled from your own invoices. Can you tell me whether this data was compiled from the invoice date or the shipment date, or the receipt date?

A. That would be the same.

Q. I beg your pardon?

A. That would be the same, the shipment date and the invoice date would be the same.

Q. Can you give me the names of the Gentry representatives who have called on you when you were responsible for deciding the sources of supply of dehydrated onion and garlic?

A. Well, our immediate contact was with Dick Chana, and Tom McGill, who has been the manager of the Chicago office.

Mr. Chana was responsible to him. So our relationship was with those two gentlemen.

Q. Have you ever met Mr. Farrell?

A. I believe he came in the office once with Mr. McGill, once or twice, maybe.

Q. Is there anyone else from Gentry who contacted you, sir?

A. Prior to Mr. McGill, there was, I forget the
2527 gentleman's name, but the manager of the Chicago office. My first contact was with him, but I can't remember.

Q. Was his name Kraham?

A. Yes.

* * *

2528 JOHN P. FLAVIN, was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your name in full, please?

A. John P. Flavin.

Q. Where do you live?

A. 8059 South Wood Street.

Q. What is your occupation, sir?

A. Purchase-agent.

Q. For what company?

A. Wilson & Company, Incorporated.

Q. In what business is your company engaged, Mr. Flavin?

A. Packers.

Q. Where is the general office of your company located?

A. The Prudential Building, Chicago 1, Illinois.

Q. Where are your plants located, Mr. Flavin?

A. At Memphis, Los Angeles, Denver, Oklahoma City, Kansas City, Cedar Rapids and Albert Lea.

Mr. Walker: Your Honor, because of the unavail-

2529 ability of records, and the scattered nature of the Wilson & Company plants, as well as the Consolidated Foods units, we were not able to compile sales data that would be meaningful and complete for Wilson & Company sales to Consolidated Foods Corporation.

However, I do want to bring out a few facts in this area.

By Mr. Walker:

Q. Have you obtained sales information regarding Wilson & Company for purposes of this testimony, Mr. Flavin?

A. Yes.

Q. Under what labels do you sell your products?

A. Principally our own label, but some private brand labels; principally our own brand.

Q. Through what channels do you market your products, Mr. Flavin?

A. Salesmen and brokers.

Q. During what period of time has Wilson & Company sold their products to any units of Consolidated Foods Corporation, Mr. Flavin?

A. Going back to 1950.

Q. Would you please describe your duties at the present time?

2530 A. I am purchasing agent, handling such items as labels, tinware, steel drums, spices and seasoning, et cetera.

Q. Does that include dehydrated onion and garlic?

A. Yes, it does.

Q. How long have you been purchasing agent for Wilson & Company?

A. Going back to about 1924.

Q. How long have you been purchasing spices and seasonings?

A. Since about 1954.

Q. Have you purchased dehydrated onion and dehydrated garlic for the Wilson plants since you have been purchasing these products?

A. Yes, we do, except an occasional emergency shipment where it is necessary to get something from a local source for quick delivery.

* * *

2531 (Whereupon, the document referred to, heretofore marked Respondent's Exhibit 201 for identification, was received in evidence.)

Mr. Walker: Your Honor, Wilson & Company doesn't have purchasing records prior to 1959, so it was impossible

to compile data for other suppliers for the years up to 1958.
By Mr. Walker:

Q. From what company have you purchased the major portion of your requirements of dehydrated onion and dehydrated garlic since 1954?

A. Basic Vegetable Products Company.

Q. Why have you bought the major part of your requirements of dehydrated onion and dehydrated garlic from Basic since 1954?

A. They have been our primary source of supply, 2532 and we have also found their quality and service and delivery as being entirely satisfactory. We have consistently used Gentry as a secondary source to keep a good relationship in case we run into difficulty with Basic at times on matters of delivery.

Q. Now, Respondent's Exhibit 201, Mr. Flavin, indicates that in about 1954 your purchases from Gentry decreased markedly. Why was that?

A. In 1954 we ran into the pelletizing problem with Gentry's onion in the mixes which caused a quality problem, and we switched practically all of our business over to Basic at that time. In 1954 our usage of onion powder and garlic powder dropped considerably.

Q. What is pelletizing?

A. Flakes ball up and make pellets.

Q. What caused the decreased usage in dehydrated onion and garlic in 1954 that you testified about?

A. The main reason was that we closed our canning operation in Chicago that we used in the canning of Vienna sausage and bologna and canned meat items where a good deal of that product was used.

Q. Referring again to Respondent's Exhibit 201, what accounts for the increase in your purchases from Gentry in 1957?

2533 A. Well, by that time Gentry had overcome their

pelletizing difficulties, and we desired to have a good second source of supply, so we gave an increased portion of our business to Gentry from that time on.

Q. Mr. Flavin, we have informed the Hearing Examiner that we have talked to the witnesses prior to testimony.

Before you were contacted in connection with your appearance as a witness, had you ever talked to anyone about a relationship of any kind between your sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic and capsicums?

A. None whatsoever.

Q. Did you ever have any kind of communication on that subject?

A. None whatsover.

Q. What effect has the fact that Consolidated is a customer of Wilson & Company had on the volume of your purchases of dehydrated onion and dehydrated garlic from Gentry since 1954?

A. No effect whatsoever.

Q. What part does the laboratory play in your purchases from Gentry?

A. The laboratory prepares the specifications for all our products, and checks all incoming shipments and 2534 raw materials for analyses.

Mr. Walker: Your witness, Mr. Hays.

Cross Examination

By Mr. Hays:

Q. Mr. Flavin, is Wilson & Company, or do they have any subsidiary companies?

A. Yes, they do.

Q. Do the subsidiary companies engage in food processing?

A. No, I would say the food processing is conducted by the major parent company, Wilson & Co. Inc.

There would be one exception. I wouldn't know whether

you would consider it food processing, but the United Chemical Organic Products Company handles gelatin products.

Q. What products do you use the dehydrated onion and dehydrated garlic in that you purchased from Gentry Division of Consolidated Foods Corporation during the period 1954 through 1956?

A. It was used principally in the product of chili con carne put up in cans, in the canning of the chili con carne.

Q. Was this pelletizing a serious problem from the point of view of your production?

A. Yes, it was considered so.

Q. Why is that, sir, why is it serious?

A. I couldn't definitely answer that question. I
2535 know it was objectionable in the canning operation, and the people complained about it, that they couldn't use a product of that nature.

Q. Do you know what causes pelletizing?

A. No, except that the flakes ball up and form pellets. That is about as much information as I can tell you.

• • •

2536 Chicago, Illinois
February 22, 1961

2537 PROCEEDINGS

• • •

ARTHUR N. PRATER was thereupon recalled as a witness on behalf of the respondent, having been previously duly sworn, resumed the stand and was examined and testified further as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your full name, please?

A. Arthur N. Prater.

Q. Where do you live, Dr. Prater?

A. 4500 Varna Avenue, Sherman Oaks, California.

Q. What is your occupation, sir?

A. I am president of the Gentry Division of Consolidated Foods Corporation.

Q. Do you hold any position with Consolidated itself?

A. I am the vice president of Consolidated Foods Corporation.

Q. How long have you been president of the Gentry
2538 Division?

A. Since September of 1956.

Q. When were you first employed by the Gentry Division or its predecessor company?

A. 1945.

Q. Would you please describe your education, Dr. Prater?

A. I have a Bachelor's Degree in Chemistry from the University of California in Los Angeles; a Master's Degree and a Ph.D Degree as Doctor of Philosophy, a Doctor of Philosophy Degree from the California Institute of Technology.

Q. In what subject do you have your Doctor's Degree?

A. In Chemistry, Inorganic Chemistry with a minor in Biochemistry.

Q. Would you please describe the positions held by you after you finished your education up to 1945?

A. From 1935 to 1936 I was research chemist, Continental Oil Company, Ponca City, Oklahoma; from 1936 to 1938, refinery technologist at the Shell Oil Company, Wilmington, California; from 1938 to 1941, a research Fellow in Bio-organic Chemistry, California Institute of Technology.

It was at that place I first met Mr. George Clausen who was interested in doing some research work on onions.

2539 From 1941 until 1945 I was research chemist at the

Western Regional Research Laboratory, U. S. Department of Agriculture, Albany, California, working on research on food, on the dehydration of vegetables and freezing of foods.

2540 Q. What position did you hold when your first worked for Gentry in 1945?

A. Director of research.

Q. What were your duties in that position?

A. I was in charge of all of the technical work of the company, including quality control, research and development.

Q. What was your next position, Dr. Prater?

A. I soon became involved in technical sales work and assumed the title of technical director, being more and more involved in sales relations with customers and in production control.

Q. Did you work with customers during this period, sir?

A. Yes, I worked with customers both in their laboratories, meeting with them at various places, and also with our sales representatives.

Q. When you were doing this work, did your title change, Dr. Prater?

A. Somewhere along the line it changed from research director to technical director. In 1949 I became a director of Gentry, Incorporated. In 1953 I also became production manager of both plants.

Q. What was your next position with Gentry?

A. In 1955, September, 1955 — no, in 1954 I be-
2541 came a vice president, and in September of 1955 I became executive vice president, and on September 1st, 1956, I became president of Gentry Division.

Q. Now would you please describe so the record will be clear, Dr. Prater, what you did in the period 1953 to 1955 before you became executive vice president?

A. I was in charge of all of the technical work of the

company. I was production manager. I was in charge of all of the technical sales work. I travelled fairly extensively visiting both our company installations and our customers. I was in charge of the research and development on raw material, crop field work, and in general anything to do with production, technical work, or technical sales work, was my responsibility.

Q. Now what were your duties as executive vice president commencing in 1955?

A. Actually I was operating head of the company. Mr. Clausen, the president, was very ill, and while I conferred with him frequently, he rarely was in the office and I was operating head of the company.

Q. What have been your duties as president of the Division since 1956?

A. I am in charge of all of the activities of the Division.

2542 Q. When did you become a vice president of Consolidated?

A. 1957.

Q. Would you please describe, Dr. Prater, the extent to which you have participated in sales activities throughout the time that you have been with Gentry?

A. Starting originally, being interested in technical sales work, visiting with customers, working out specification details, technical problems in relation to servicing the accounts; I then became more and more involved in sales. Since 1955 I have been in charge of all sales activities. I have conferred regularly with our sales manager daily; I visited with our men; I visited with the regional managers, our regional sales managers, both in the territory and in our own office. We periodically have meetings of all of our salesmen on the West Coast. I participate in those discussions. I see all important sales correspondence, all important call reports.

Q. Since becoming executive vice president in 1955, to what extent have you called on customers?

A. I have called on customers quite extensively both at their plants, taken them through our plants, and I have met them at many meetings, many conventions.

2543 Q. What types of conventions are these, Dr. Prater?

A. I have been particularly active in four general associations or technical groups. One of them is the American Spice Trade Association. I have been very active as the representative of Gentry. I was on the research committee for many years. I served as chairman for two or three years of the research committee. I have been active in Research and Development Associates of the Quartermaster Food and Container Institute for the armed forces, serving in many capacities on the executive committee, on the board of directors, and I was in charge of the activities committee having to do with the dehydration of vegetables and fruits. I was vice president in charge of all the activities committee and I served one year as president of this group.

I have been very active in the Agricultural and Chemistry Division of the American Chemical Society serving as counsel or member of the executive committee, going through all of the offices, ending up one period as chairman. I have been and am still very active in the Institute of Food Technologists which is the professional society of food technologists. I have held many offices there. I have been treasurer and am still treasurer of the national

2544 group.

Collectively these four associations represent the bulk of the research and development for the quality control, the professional and technical people in the food industry. They represent many of the purchasing agents, many of the production people, and so forth, and it is for this reason that I have been very active in these groups.

2545 Q. How often do you attend the conventions of these groups?

A. With varying frequency. At one time I attended all of their annual meetings or semi-annual meetings. Recently I have been attending at least the annual meetings of the Spice Trade Association and the Food Technologists as well as the committee meetings.

Q. What do you do at these meetings where these various representatives are present as you have described them?

A. I make it a point insofar as time will allow to meet with representatives of our customers, discuss new products, discuss quality control, meet complaints, seek and explore any ways to get new business.

Q. About how many customers have you talked with in each year on the average since 1950?

A. I would say at least between 40 and 50.

Q. How often do you have these meetings at your home office of the sales representatives of Gentry that I believe you mentioned earlier?

A. About every two years we have all of the salesmen throughout the country into our home office and sometimes in between we will have the regional managers come in for an occasional visit or have an occasional salesman come in.

2546 Q. Would you please describe in general terms, Dr. Prater, the development of the dehydrated onion and garlic business in the United States during World War II?

A. At the start of World War II there was a productive capacity and sales of about a million pounds per year. During the war there was a great demand on the part of the Quartermaster and other Government agencies for dehydrated onion and dehydrated garlic, both directly and in the products purchased by these agencies.

At about the end of the war, at about 1946, the produc-

tion was about 12,000,000 pounds.

Q. That is the domestic production that you are talking about?

A. The domestic production. I might add that during the war due to the urgency of the situation, the Government subsidized many dehydration plants of which several of them were subsidized for the production of dehydrated onion.

Q. What happened to this business at the end of World War II, Dr. Prater?

A. The business took a very severe decline. I think production dropped and sales dropped from about 12,000,000 pounds in 1946 to about 2,000,000 in 1947.

Q. What happened to some of these plants that 2547 you have described were built during the war?

A. Many of these plants that were subsidized by the Government were built in areas that were not particularly suitable in that they were in areas such as New York where a supply of onions for dehydration was not available on a year-round basis.

They were in areas where onions were available late in the season and they had a relatively short producing season unless the plant were to resort to hauling onions from great distances and incurring high freight costs.

Also there was no garlic—there was none and there is no significant garlic production in these northern and eastern areas.

Q. What was the general public reaction towards dehydrated foods at the end of World War II, Dr. Prater?

A. It was very bad. During the war the civilian market had had some dehydrated foods. The experience of the armed forces was—well, not uniformly bad, but it was relatively bad, and the returning servicemen brought back with them a very bad impression and this had a very bad public relations effect on dehydrated foods in general.

Q. What happened to this business, that is, dehydrated onion and garlic, in the years 1947 to 1950?

2548 A. The business from about a low of about 2,000,000 pounds in 1947 started picking up and growing and had a steady growth.

Q. What happened to the business in 1950?

A. In 1950 a very dramatic increase occurred in the use of these products and business started growing.

Q. What caused this increase, sir?

A. About 1950 the public began using more highly seasoned foods. There was a better appreciation of properly spiced and properly seasoned foods. The advent of the TV dinner, frozen pre-cooked foods, took place about this time.

The Government during the Korean War purchased for a short period of time fairly large quantities and this gave the dehydrated foods available to the servicemen during the Korean War a much higher quality than in World War II. They returned with a good impression, a much better impression of the products. That is, those men returning from the Korean War returned with a much better impression than they did from World War II.

The manufacturers of processed foods began to recognize more and more the values and we converted more raw users over to dehydrated.

The institutional users such as restaurants and hotels began using more and there was a conversion of those raw users over to dehydrated.

2549 Q. Were there powdered soups and dressings that started becoming popular at about that time, Dr. Prater, that had any impact on this?

A. Yes, the powdered or dehydrated soups, the dressings, the dry mixes, along with the Italian type, the Mexican type, the highly-seasoned—some people say highly-seasoned, we say properly-seasoned foods had a great

impact in this area.

Q. Now what has happened to this business since the Korean War?

A. It has increased dramatically and it has had, I think, a very good growth.

Q. What has caused this growth, sir?

A. The same factors I mentioned earlier, the use of more highly seasoned foods, the use of more pre-cooked foods, the use of the—the relieving of the drudgery in the home by the sale of more processed foods; the use of more dehydrated onion in the institutional market, restaurants, hotels, food processors,—more and more they have been converted over to the use of dehydrated products.

The industry has developed new types of products. Granulated garlic has developed which is a form that has been very successful in the restaurant trade. Granulated garlic in the smaller packages has been very successful in the retail trade. It is now called instant granulated garlic.

There has been developed instant onion, particularly the instant minced onion which is being sold in large quantities through the retail trade to the housewife.

Q. To what extent, Dr. Prater, is Gentry currently utilizing its production capacity for dehydrated onion and garlic?

A. We are using it up to its maximum capacity.

Q. Do you expect the market for dehydrated onion and garlic to remain the same, contract or expand?

A. I expect it to expand.

Q. Why?

A. Well, the quality of the products now available are such that we have been able to convert many of the raw users, raw processors over to dehydrated. There are still many of them that have not yet been converted. A notable exception is one large user and that is Campbell Soup.

There are many restaurants, many institutional users still using raw, and the dehydrated product is a very logical, natural substitute for this.

The impact of the instant minced onion or other
2551 items on the retail market has just begun. There is a tremendous utilization of raw onion which the dehydrated onions could take.

Q. Do you expect the spice repackers to share in this growth of business Dr. Prater?

A. The spice repackers have been very active in the repacking of instant minced onion and other items, instant granulated garlic. It is sold under their labels, and their usage is very large. In fact, their usage has become so large that I expect that some of them are seriously considering entering into the production of these items.

Q. When was Gentry, including its predecessors, first organized?

A. In 1919.

Q. Would you please describe the changes in Gentry's organization as a company since 1919?

A. In 1919 Mr. C. B. Gentry founded the company. A few years later—it was founded as the C. B. Gentry Chili Powder Company. A few years later he died and his widow continued to run the business, as I understand it, as a sole proprietorship until about 1940. During that time she married Mr. George E. Clausen who was working for the company as a salesman. In 1940 Mr. Clausen and Mrs.

Clausen became equal partners. Somewhere along the
2552 line the name was changed, I believe, to the C. B. Gentry Company.

In 1946, in the spring of 1946 the company was incorporated as Gentry, Incorporated, with the stock being held by Mr. and Mrs. Clausen. In, I believe, it was August of 1956 [sic], the stock was put on the public market. Mrs. Clausen

sold all of her interest; Mr. George Clausen retained a substantial share of the stock.

In 1951 the company was sold to Consolidated by an exchange of five shares of Gentry for one of Consolidated.

Q. That was in April of 1951, is that right?

A. I believe it was April 30, 1951.

Q. Would you please describe the business as it was conducted by Gentry during the 1920's?

A. Starting in 1919 when it started and through the 1920's, they were largely jobbers or selling agents for chili powder, chili pepper, paprika, canned pimentoes, any items in that general line. They bought the products already prepared, as I understand it, and had no producing facilities of any kind.

Q. How was the business conducted during the 1930's?

A. During the 1930's they continued the same type of selling and handling of capsicum items or chili items primarily to the Mexican type food trade.

2553 Somewhere along in the 30's they began selling dehydrated onion and garlic, and in the late 30's built a plant for the production of dehydrated onion and garlic.

2554 Q. Where was that plant located?

A. In Gonzales, California.

Q. This was a plant for dehydrating onion and garlic?

A. This was a plant for dehydrating onion and garlic.

Q. What happened to that plant, Dr. Prater?

A. It burned down in 1940.

Q. Was a new plant built thereafter?

A. A new plant was built in Gilroy, California immediately thereafter as quickly as they could build it.

Q. And that is where the present plant producing dehydrated onion and garlic is located?

A. That is right.

Q. When did Gentry build its first plant for the dehy-

dration of capsicums?

A. Mr. Clausen had been in and out of many deals as leasing, renting, and he had bought a lot of capsicums already dried or sun-dried. He at times had leased plants, The first time that the company, the Gentry company had any plant of its own was in 1946 when they built the plant at Oxnard, California.

Q. How did the sales of dehydrated onion and garlic by Gentry in the fiscal year ended June 30, 1951 compare with its sales of those products in 1947?

A. It was considerably higher.

2555 Q. How did the profits of Gentry in the fiscal year ending June 30, 1951 compare with its profits in 1947?

A. They were considerably higher.

Q. What happened to Gentry's share of the domestic dehydrated onion market in the years 1947 to 1951?

A. It increased.

Q. How much did Gentry increase its sales force in the years 1946 to 1951?

A. We had four sales representatives in 1946, and in —you say 1951?

Q. Yes.

A. And nine in 1951.

Q. Prior to the merger with Consolidated?

A. Yes.

Q. Were any additional sales offices opened by Gentry during these years, that is, 1947 up to the time of the merger?

A. In 1946 we opened the sales office here in Chicago and in 1947 we opened the sales office in New York City.

Q. What was the approximate cost of that Oxnard plant that was built by Gentry in 1946?

A. In 1946 it cost approximately $400,000.00 to build the plant. It was not fully completed in that we were carrying out part of the processing in our Los Angeles plant,

2556 and in 1950 we moved back from Los Angeles to Oxnard at a cost of $100,000.00 or $150,000.00.

Q. Dr. Prater, in the course of the sales discussions with your personnel that you have described earlier, that is, the meetings of your sales personnel, do you have occasion to discuss large users of dehydrated onion and garlic that purchase none or only a portion of their requirements from Gentry?

A. Yes, we discuss these people frequently.

Q. How do you know who they are?

A. Well, many of the large users are well known to us, some by direct reports from the companies from whom we get part of none of their business, others by obvious reasons of seeing their products in the market, and just general knowledge.

Q. Why do you discuss these customers or potential customers?

A. Well, we think everybody should buy as much from Gentry as possible. We would like to get all the business if we could, and if we can't get all of it, we would like to get as much as we can.

Mr. Walker: This is Respondent's Exhibit 202-A to 202-E entitled "Gentry Division of Consolidated Foods Corporation, potential major customers."

(Said documents were marked Respondent's Exhibits 202-A through 202-E, inclusive, for identification.)

2557 By Mr. Walker:

Q. When did you last have occasion to discuss these large users of dehydrated onion and garlic that you have described in your prior testimony, Dr. Prater?

A. Individually some accounts with some salesmen last week; collectively as a complete list with all of our men at our national sales meeting in November of 1960 at our home office in Glendale.

2558 Q. Would you please describe Respondent's Exhibit 202, Dr. Prater?

A. This is a list which we have prepared. It is a type of list we continually have under review. It is a list of accounts that in our best judgment are large users, users of over 10,000 pounds a year of dehydrated onion and garlic, and users that either we don't sell anything to or we have reason to believe we sell less than half of their requirements.

Q. Were these companies discussed and these names compiled in connection with the sales conference last year that you have described?

A. Well, yes, although we continually keep a list like this and work on it. This particular one was prepared for the meeting last November.

Mr. Walker: At this time I would like to offer Respondent's Exhibit 202 for identification into evidence as Respondent's Exhibit 202.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 202-A through 202-E.

(Whereupon, the document referred to, heretofore marked Respondent's Exhibit 202-A through 202-E
2559 for identification, was received in evidence.)

By Mr. Walker:

Q. Would you please describe in general terms, Dr. Prater, how Gentry markets its dehydrated onion and garlic products?

A. We market or sell our products through the use of direct sales representatives, through the use of brokers, through the use of jobbers, through the use of distributors who buy our product for resale either under ours or their own label. Some of these customers are repackers who repack it and sell it under their own label.

Q. Now a distributor resells the product in the original

container, is that right, Dr. Prater?

A. Yes, that is correct.

Q. Either under your label or his label?

A. Yes.

Q. How does the jobber sell the product? Does he sell it in the original container?

A. The jobber sells it in the original container under our label.

Q. What is the difference between a jobber and a distributor other than this label part that you have mentioned?

A. A distributor is—well, as our sales managers
2560 say, he is a partner with us in that he buys our products in quantity, sells it to the smaller customers, sells it in the original packages, works the trade, sells it to the processing industry. We work closely with the distributor, whereas a jobber is a person who will sell to the institutional users, often on a bid basis, often on a single-order basis.

Q. Does the jobber usually buy from a distributor?

A. The jobber usually buys from a distributor.

Q. What is a repacker?

A. A repacker is a company or a manufacturer—well, he could be a manufacturer, but when he is functioning as a repacker, he buys in bulk our products, repacks them usually in a smaller container under his own label, and sells them usually retail but not necessarily.

Q. Would you please just name, Dr. Prater, the principal products sold by Gentry other than dehydrated onion and garlic?

A. A complete capsicum line including paprika, chili powder, chili pepper, Cayenne pepper, red pepper. It has included chili pods, garlic pods. We have sold oleoresin paprika, a multi-purpose food, horse-radish powder, miscellaneous spices, miscellaneous other items.

2561 Q. That is enough.

What has been the trend of Gentry's sales of dehydrated onion and garlic to the government in recent years?

A. It has decreased.

Q. Why?

A. Partly because the government has decreased its requirements in so far as we are aware, and also partly because and mainly because in 1957 the government started reserving the major share of its government business on dehydrated onion for small business. We were denied certification as a small business. We are not allowed to bid on this. In fact, we don't even know until after the bids are awarded how much the government has reserved for small business. It has always been the major share since they instituted this policy.

Q. What companies are supplying the major part of the government's requirements of dehydrated onion and garlic?

A. Basic and Puccinelli.

Q. Dr. Prater, at what volume does Gentry prefer to sell dehydrated onion and garlic customers directly rather than through distributors?

A. What we would call about a 10,000-pound customer.

2562 Q. That is 10,000 pounds per year?

A. In that general area, yes.

Q. What was the approximate volume of Gentry's sales of oleoresin paprika in the years 1950 to 1958?

A. In 1950 we sold about a hundred—a little over a hundred thousand dollars; from 1950 to 1957 it was about in the range of $50,000 a year. It dropped off very sharply in 1958.

2563 Q. Does Gentry usually enter into contracts with its customers covering their requirements of dehydrated onion and garlic?

A. Yes, we try to contract with many of our customers, particularly our larger ones.

Q. Would you please describe the nature of these contracts?

A. The customer will tell us his needs in pounds of onion and garlic. We will put it down on a form which he will sign. We sign also. We are obligated to protect him within the terms of the contract for deliveries for the term of the contract which is usually about a year.

Q. What happens if you increase your prices during the year?

A. The contracts carry provision for price revision dates, and up until those dates, he is protected against a price increase.

He is always protected against a price decline. He is not obligated to take out the full quantity of the contract whether there is a price increase or not.

Q. When you say he is protected against a price decline, you mean he gets the benefit of any price reduction that occurs at any time during the life of the contract?

A. That is right.

2564 Q. Whether it is before or after one of these price revision dates?

A. That is right.

Q. What happens if the customer orders less during the year than stated in the contract?

A. Nothing, and I am sorry that this happens very frequently.

Q. Has Gentry entered into any contracts where the customer is required to purchase the amount stated in the contract?

A. No, except in very rare instances where we produce a specific product for a specific customer. I can recall one such contract in that area this past year on dehydro-frozen pimentos.

Q. But none on dehydrated onion or garlic?

A. No.

Q. Would you please describe the types of calls on customers that are made by Gentry's sales representatives?

A. The Gentry sales representatives are quite specialized salesmen and selling agents. They call on the purchasing agents, usually working through the purchasing agents, and never without the purchasing agent's blessing.

They will work with the laboratory people, with
2565 the production people. They try to ascertain the type of product being made from our dehydrated onion and garlic and our capsicums. They try to determine the specific requirements of the customer. They aid in the establishment of specifications.

If our products don't meet those specifications, they try to find out why not and see either if we can have them alter the specifications or have our product altered. They are alert to suggesting new uses of products and formulas. They serve as trouble shooters, investigate any complaints, reporting back to us so that they can be satisfactorily handled.

They work with the distributor customers by working with our distributors' salesmen.

Our sales manager likes to call them sales executives, expert in the field of selling these specialized products.

Q. What are the differences among the varieties of dehydrated onion and garlic produced by the different dehydrators in this country, Dr. Prater?

A. There are very small differences. These products are standardized. We have an industry association, the American Dehyrated Onion and Garlic Association, that has among one of its functions established standards of quality.

2566 The various producers may make individual items different than these specifications in that they are more tightly controlled within some specification limits, but in general they all fall within the standard what we call

ADOGA specifications.

Q. And are these products or product types that are specified in the ADOGA specifications sold by all the producers?

2567 A. Yes, and there are relatively few of these special requirements within these specifications.

Q. When were these general standards adopted, Dr. Prater?

A. In 1957.

Q. Were there more varieties and types of dehydrated onion and garlic prior to 1957?

A. Yes.

Mr. Walker: This is Respondent's Exhibit 203 for identification marked "Official Standards of the American Dehydrated Onion and Garlic Association."

Since this was a bound document, I didn't think it necessary to letter each one of the pages.

(The document referred to was marked Respondent's Exhibit 203 for identification.)

By Mr. Walker:

Q. Would you please describe this document, Dr. Prater?

A. The American Dehydrated Onion and Garlic Association has a technical committee. They were charged with the responsibility of recommending official standards, quality standards to enable the American dehydrated onion and garlic industry to put out a high quality standard set of products. We charged them with the responsibility

2568 of adopting standard nomenclature, standard specification details. The association has as its members all of the domestic producers. They are all represented on this committee and these represent the best judgment of the American industry as to what a good quality dehydrated onion and garlic product should be.

Mr. Walker: I will offer Respondent's Exhibit 203 into evidence.

Hearing Examiner Kolb: The document is received in evidence as Respondent's Exhibit 203.

(Whereupon, the document referred to, heretofore marked Respondent's Exhibit 203 for identification, was received in evidence.)

By Mr. Walker:

Q. Dr. Prater, I would like to show you Commission's Exhibit 223, which is a statement of the names and addresses of customers who first purchased onion, garlic, chili powder or paprika from the Gentry Division of Consolidated Foods Corporation after April 1, 1951, and I will ask you to refresh your memory of this document.

Have you examined this list in more detail prior to today, Dr. Prater?

A. Yes.

This is the whole list?

2569 Q. Yes.

A. Yes.

Q. Are you familiar with the businesses conducted by these companies listed in this exhibit and the circumstances under which they became Gentry customers?

A. Certainly not as to all of them. These customers, many of them are small hamburger stands, restaurants, institutional users, even grocery stores. These were customers that Gentry obtained from about, I believe, 1949 until 1954, or 1955, at which time we had embarked on a program of seeking every possible customer we possibly could get. These are customers that our men turned up by looking in the yellow phone books, working in the market, reading the labels, and many of these customers, I am sure we no longer sell many of these, we have probably funneled them through our distributors or tried to put all of the smaller customers through our distributors.

2570 Q. In your last answer, when you said "these were," you didn't mean to say that all of the com-

panies fit the definition you gave, did you?

A. You mean of the hamburger stands?

Q. Yes.

A. Oh, no.

Q. You said they were picked up as part of an intensive sales program.

A. Some of these are undoubtedly large customers, and some are still selling.

Q. Has this policy you have described as aggressive, trying to pick up every customer, no matter how small, or words to that effect, been continuous?

A. No. In about 1954 or 1955, we commenced taking a very critical look at the cost of doing business, and we found we could not afford to sell small customers, we should try to sell the large ones, and try to sell all these customers through some other source.

We then began actively and intensively putting the small orders, or the small customers through distributors.

Q. What has been the trend, Dr. Prater, of Gentry's sales, of institutional sales of institutional size pack of dehydrated onion and garlic since 1950?

A. It has increased. I would say it has about 2571 doubled between 1950 and 1958.

Q. What was the approximate volume of Gentry's sales of institutional size packs of dehydrated onion and garlic in 1958 in pounds?

A. About 1,200,000 pounds.

* * *

By Mr. Walker:

Q. Dr. Prater, would you describe please the locations and supplies of the raw onion that is suitable for dehydration?

A. For our purposes raw onion suitable for dehydration is grown in Arizona, which is an early growing area.

I will list these in the order of their earliness and lateness.

We then move into California, the Imperial Valley, moving north and west up through the length and breadth of the San Joaquin Valley, into the late areas which are very northern California, right near the Oregon border, and then into Nevada, and if necessary, Idaho.

2572 Q. How do you obtain your raw onion, Dr. Prater?

A. Mainly by contracting with the grower, although at times we purchase on the open market.

Q. Would you please describe the locations and supplies of raw garlic suitable for dehydration purposes?

A. There are many areas the same as onion. The early garlic is grown in Arizona and the Imperial Valley of California, the lower San Joaquin Valley, and in the middle San Joaquin Valley to some extent, and in the Gilroy Hollister Salinas area.

Q. Do you obtain your garlic from other areas, Dr. Prater?

A. Yes, we obtain substantial quantities, 10 to 20 per cent of our requirements from Mexico. We have obtained from other areas.

Q. Dr. Prater, how do you obtain your raw garlic for dehydration?

A. Also, primarily by contracting with the growers.

Q. When you say contracting with the growers, do you mean that you do that in advance of the growing of the crop; is that right?

A. Yes.

Q. Do the other domestic dehydrators of onion and garlic contract with the growers also?

A. Yes, they do.

2573 Q. What are the types of onion and garlic that are used by Gentry for dehydration?

A. The principal type of onion is the Southport White,

or selections from it. The next in importance is the Creole, which is much less important, and probably accounts for about 10 per cent.

The garlic is of the type that we know as Creole garlic; another type is known as the Early California garlic, and also the Late California garlic.

Q. Do the farmers with whom you contract for the onion and garlic also grow other crops?

A. Yes, onion and garlic is one of a rotation crop with them.

Q. What do you mean by rotation crop?

A. In agriculture, it is never desirable to grow the same crop year after year on the same piece of land, and growers usually have cotton, wheat, corn, alfalfa, seed onion, garlic, potatoes, many crops available, and they grow them as rotation crops.

Q. Did you go to the growers, or do the growers come to you for the contracts?

A. Well, it is some of both. Usually we have more growers approaeh us for contracts than we have need for, and we always have more growers approach us than we contract with.

2574 Q. Do the growers also produce onion and garlic for the open market that is not used for dehydration, used by the dehydrators?

A. Yes, many do.

Q. Can you recall any year since 1945 when there was a shortage of onion and garlic suitable for dehydration?

A. No.

Q. What happens if you don't contract for enough onion or garlic, or if the growers should have a bad crop?

A. If we err in our predictions, and we don't contract with enough acreage, really, at the contracting period, and if there is a short crop, then we have to go elsewhere. We can go to the open market. There are always onions avail-

able, they may not be of the ideal type, but there are always onions suitable for dehydration.

At times we go to foreign sources.

Q. Other than the purchase of garlic from Mexico, which you have already described, Dr. Prater, would you tell where you or the other domestic dehydrators have obtained imported raw onion or garlic for dehydration purposes?

A. We have obtained fairly large blocks of garlic, raw garlic from Japan. We routinely import substantial
2575 quantities from Mexico, and we have gone to Italy, and have bought very large blocks for dehydration.

Puccinelli has imported garlic from Italy; Basic routinely imports garlic from Mexico. We suspect—well, I am sure that Basic also imports garlic from Italy.

We are quite sure they have imported it from Egypt, and probably other sources.

2576 Q. What about raw onion, is raw onion obtained by importing for dehydration purposes?

A. Imported raw onion to a lesser extent. It is some, but I have less knowledge of that. There is some raw onion imported.

Q. Would you please describe, Dr. Prater, the improvements and innovations in procurement of raw material, in obtaining raw onion and garlic since World War II, in general terms?

A. In the procurement of raw material?

Q. Yes, sir.

A. Considering that procurements means, getting the raw material from the field to the plant, there have been developments in the cultural techniques in growing. There have been developments in the area of developing new varieties, new seed strains, which will give higher quality onion for dehydration, higher solids, and higher pungency; varieties which can be grown in different areas, as for example Arizona and the Imperial Valley.

There have been improvements in the mechanization of the farming operation, particularly the harvesting. There have been improvements in the mechanization of the harvesting in the bulk hauling and the bulk handling.

2577 Q. Does Gentry supply or control the seeds, the harvesting techniques and the machinery for their contract growers?

A. We either control or specify the seeds, the harvesting techniques and the machinery, the procedures.

Q. Who pays for the seeds and the machinery?

A. The grower, either directly as a service charge which we bill back to him, or recently, in the manner in which we contract, this is paid for at the time of the original contract. It serves as a basis of the contract at a lower price.

Q. Are these practices you have just described followed by other domestic dehydrators of onion and garlic?

A. Yes.

Q. To what extent have other domestic dehydrators made use of the improvements and innovations that you have described?

A. I would say we have all made use of them.

Q. When did the improvements and innovations occur?

A. There have been improvements in this general area ever since I have been with Gentry in 1945.

Q. Which procedures have originated—these innovations and improvements that you have described, by which companies were they originated?

2578 A. I would say that all of us have made some of these improvements on our own, and all of us have shared in them.

Q. Which company would you say was the leader in the procurement of raw material in the last ten years?

A. Well, I would not like to admit it to our sales department, but I would have to say Basic.

Q. Would you please describe, Dr. Prater, the improve-

ments and innovations in he processing of dehydrated onion and garlic that has taken place since the end of World War II?

A. Well, improvements in the raw material procurement have led to improvements in the raw material storage and handling in the plants, aimed primarily at the bulk handling to reduce labor. There have been improvements in the preparation steps, what we call the preparation steps, including peeling, washing, coring, trimming, and there have been improvements in the slicing, the spreading techniques of putting the product on the trays or in the dryer.

There have been improvements in the dehydration techniques; there have been improvements in what we call the finishing, the milling, inspecting, and size classifications.

2579 There have been improvements in shipping containers.

Q. To what extent have these improvements and innovations in processing been shared by all processors of dehydrated onion and garlic?

A. They have been shared by all the domestic dehydrators of onion and garlic.

Q. When did these processing improvements and innovations occur?

A. Again, this is a continuing process, and there have been improvements in this area ever since I have been with Gentry in 1945.

Q. Which of the domestic dehydrators have originated these improvements and innovations?

A. I would say that some have been, or all of us have been responsible for some of them, there have been some by each one.

Q. Could you give us a few examples of that, Dr. Prater?

A. Well, specifically, Basic led in the bulk handling the

bulk storage. We led, I believe, in the installation of continuous conveyor dehydration equipment. Basic led in the installation of finishing equipment, roller mills, sorting machines, electrostatic separators, finishing equipment.

2580 Puccinelli led in the development of slicing techniques, the slicing machines.

Q. Overall, which company would you say has been the leader in the processing improvements and innovations in the last ten years?

A. Well, again, I don't like this being on the record, but I would have to answer Basic.

Q. What effect have these improvements and innovations in both the procurement and processing had on the cost of production of dehydrated onion and garlic in the last ten years?

A. These improvements were all designed either to cut costs, improve quality. The major of the cost saving is in direct labor. These improvements and innovations were designed to reduce direct labor, and some of the quality savings are also reduced labor. The net effect would be that in face of the rising labor rates, rising costs of containers, goods, and services, these savings in labor that we have made have just about offset these other costs; and I would say that the costs are about the same.

Q. What has been the trend of the prices of dehydrated onion and garlic since 1948?

A. Well, there have been fluctuations, but I would say about the same.

Q. Are there any patents on equipment used for

2581 onion and garlic dehydration that make it difficult for any processor to obtain such equipment?

A. No. This is patents?

Q. Yes, patents or exclusive rights.

A. Well, we did try to obtain some garlic processing equipment from manufacturers of milling equipment, and

we were told by the representative that they could not sell it to us for garlic, that Basic had an exclusive right to it.

2582 Q. In your opinion, Dr. Prater, has competition in the production and sale of dehydrated onion and garlic increased or decreased, or remained the same, since 1945?

A. I would say it has increased.

Q. Would you please state how and when the increase has manifested itself?

A. In 1950, in the industry, the use of these products took on a dramatic increase.

In 1951 all domestic producers signed consent orders on price fixing charges. After 1951, the competition increased vigorously.

Gentry had had a reputation of being inferior to Basic in quality, and we worked hard to improve the quality. We were behind Basic in productive capacity. We were all using distributors, direct salesmen, brokers, and jobbers.

The industry was all aware of the interest in the manufacturers in the potential market of converting more raw users over to dehydrators. The institutional market was opening up with more dehydrators entering the picture in the institutional market.

The industry was very price conscious, we were all aware that a very small difference in price would either mean the difference between an order and not an order.

2583 We all used the warehouses. Competitively, we all sought to use the two supplier argument—at least, we did if we were out; if we were in, we didn't believe in using it.

Well, just about in every competitive way as far as we were concerned, that we could get business within legitimate procedures.

Q. You mentioned the fact, Dr. Prater, that Gentry had a reputation of being second to Basic in quality.

Was one of the factors involved in the quality competition the wood splinter problem?

A. Yes, the wood splinter problem has been a problem in the dehydration industry for many years. Basic exploited this extensively, and solved it by improvements in production techniques in the use, or by the use of better methods, and by using, instead of wood trays, trays of aluminum plastic glass fibers.

We met this competition partially by the improvement of our production techniques and installation of continuous conveyor dehydrators. Competition became very vigorous in the area of quality, in establishing the bacteria specifications.

Basic convinced a lot of customers they should put in very tight bacteria specifications. Basic began using
2584 two particular gimmicks or approaches that were very troublesome. One was a so-called, I believe they referred to it in their own call reports as something that is strictly a gimmick to try to convince somebody of the superiority of dehydrated onion.

Ironically there was a development at the University of California, published under the name of stinkometer, and this was developed to determine the odor of rotten fish.

We took a critical look at it, but we didn't want to use it.

There was also a test they developed and used extensively where you would put a sampling of onion and garlic in water and hold it up to your eye and time the time that it took in which to make your eye have a tear effect. In our opinion this was a gimmick we didn't want any part of.

2585 Q. Since 1950 Gentry sales of dehydrated onion and garlic have increased greatly, is that correct?

A. That is correct.

Q. What, in your opinion, Dr. Prater, have been the

reasons for this increase?

A. Well, I would say service, quality and price.

Q. All right. Would you take them one at a time, and start with quality?

In general terms, what have been, briefly, the quality factors that have accounted for the increase in your sales of dehydrated onion and dehydrated garlic?

A. The reputation in the field, at least among some of our accounts, that Basic had a better quality than Gentry. We worked very hard to improve our quality, we put a great effort on quality control, and worked very hard in this area.

Q. What about service?

A. In service?

Q. Yes, how have you gotten increased business in this area?

A. By better trained salesmen. We think our men are much better trained than they were 10 or 12 years ago. We have funneled many smaller orders through distributors, and that gives us more time to concentrate on larger
2586 orders. We are very conscious of delivery, and of consumer complaints, investigating complaints.

I think we have a better sales organization, a much better trained sales organization than we had 10 or 12 years ago.

Q. And what about price?

A. This is a very competitive industry, and we have tried to remain very competitive pricewise.

Q. Hasn't management played any part in this picture?

A. I would like to think that good management on the part of our executives helped in this, yes.

Q. Has Gentry since 1951 had occasion to lower prices to meet competition from other domestic dehydrators?

A. We have.

Q. How frequently has that occurred?

A. I couldn't say how frequently it occurred, but it was often, and it occurs from time to time.

Q. Dr. Prater, I would like to show you a document which is Respondent's Exhibit 170. This exhibit shows the sales of dehydrated onion by members of the American Dehydrated Onion and Garlic Association in the years 1948 to 1958.

This exhibit shows, Dr. Prater, that Gentry increased its share of the total dehydrated onion sales by domestic
2587 processors in the years 1953, 1956, 1957, 1958 as compared to earlier years.

What, in your opinion, Dr. Prater, accounted for this increase in the year 1953?

A. In 1952, there was, you might say, an industrywide under-production of dehydrated onion. We offset this partially in the spring of 1953 by going to Egypt, and buying substantial quantities of onion pieces and reprocessing them slightly, repacking them, and selling them under the Gentry label.

Q. What, in your opinion, accounted for the increase in the years of 1956 to 1958, generally?

A. I would say that the results of the increased quality, and the results of Gentry's policy of funneling more business through the distributors, more smaller orders through distributors.

Q. In your opinion, Dr. Prater, has Gentry lost sales of any large users of dehydrated onion and garlic to Gilroy Foods, Incorporated?

A. Yes.

Q. Could you give us examples of that?

A. R. T. French, Durkee, Wyler, Hunt Foods—may I look at my notes?

Q. Sure.

A. (continuing) Milwaukee Spice Mills, Van Loan Company, Frank Tea & Spice, Packers Lab, Baltimore

2588 Spice Company, Sunset Coffee Company, Milani Foods, Schilling-McCormick, Kearns & Smith, Albert Ehlers, Spice King, Henri's Salad Dressing, and Dell Foods.

Q. Dr. Prater, what company, in your opinion, was the leading producer of dehydrated onion in the years 1946 to 1950?

A. Basic.

Q. What factors accounted for their leading position in your opinion?

A. They had been producing dehydrated onion since about 1932. They would have built up a good selling force. They had built up a good line of products, good quality.

Gentry entered production of dehydrated onion in 1938, and almost immediately, the World War II crisis and pre-war crisis was on us, and the Government took practically all of Gentry's production of dehydrated onion and garlic until the end of the war.

Basic had built up a reputation among the civilian customers, had a record among them, and we were relatively unknown.

Commencing at the end of the war, we started very hard to improve our quality to meet Basic's competition, to develop our sales force and try to get our products known to the trade.

2589 Q. What steps did Gentry take other than the ones you have mentioned to overcome the advantages of Basic?

A. Well, starting in 1949, we tried to expand our selling outlets, our customers, by acquiring every possible account we could get. Along about this time we hired Mr. Farrell, and Mr. Farrell was put in charge of our New York office.

After he had this pretty well organized, he was brought into Chicago more or less on a consulting basis to reorganize the Chicago office.

In 1954, we moved Mr. Farrell to Los Angeles as general sales manager.

We were after new business, and we had been working on our quality, and also we were working to get new customers. We told our men to go out and sell, we told them to use every conceivable source of information, and locate every customer, no matter how big.

Our men would use the telephone directories, the yellow directories, the Chamber of Commerce, marketing associations, and they would read labels. They would start out and follow the motto of Mr. Farrell that says, "Have a plan and work your plan."

They would line up an itinerary, and in the evenings and in their spare time they would locate new prospects.

2590 They would not interfere with their itinerary that time, but they would either call the man or send him a postcard, and the next time through the area, they scheduled a stop at that place.

We picked up hamburger stands, and people we had never heard of, and also big accounts.

2591 Q. What specific factors caused Gentry to start this intensive program that you have testified about that commenced in 1949?

A. Primarily to meet Basic's competition. Basic was well known, well entrenched. They had the nationwide distribution through the H. J. Heinz Company. We had no such distribution of any kind.

Q. What functions do warehouses serve in the distribution of dehydrated onion and dehydrated garlic?

A. The very important function in that the smaller customers have available to them for relatively quick delivery a source of products for their use.

Q. What caused you to establish warehouses?

A. Well, competition caused us to, and we never wanted to do it in any area until the sales get large enough to

support one.

Q. What are the warehouses, Dr. Prater?

A. By warehouses we mean space that we lease in a public warehouse, at regular warehouse rates throughout the United States.

Q. Is the warehousing practice the same for other domestic dehydrators in that respect?

A. Yes.

Q. What are the cost factors involved in establishing warehouses?

2592 A. The cost factors are not particularly great. It costs us 15 to 20 cents per hundredweight per month to store products. There are small costs of shipping products in, delivering them out, and we charge a warehouse price slightly above the plant price, so that we can recover these costs.

Q. When you establish a warehouse in a particular location, warehouse stock in a location, do all of your customers in that area obtain their dehydrated onion and garlic from that warehouse stock?

A. No, generally the smaller customers do and the larger customers prefer to buy direct from the plant.

Q. Why is that?

A. Any customer who can buy direct from the plant with an order large enough, say a straight car shipment, will get a product at a total lower cost, since he has the advantage of savings in freight.

Q. Doctor, I would like to have you look at Respondent's Exhibit 160, which is the outside warehouse usage for Basic Vegetable Products. Do you have that in front of you?

A. I believe I have a copy.

Q. According to this exhibit, at how many warehouses did Basic have stocks of dehydrated onion and garlic in 1951?

2593 A. According to this, they had four, plus the one at Vacaville. I don't see Heinz listed on here, but I believe Heinz had eighty where they stock Basic's onion.

Q. Do you know of other warehouses used by Basic that are not shown on this exhibit?

A. Yes, the Massey & Fair Company.

Q. Where is the Massey & Fair Company?

A. Well, our broker in Atlanta said that is the name of Basic's broker in Atlanta, and also the name of their warehouse stock is that place.

* * *

2594 Mr. Walker: I would like to have this marked as Respondent's Exhibit 204 for identification.

(The document referred to was marked Respondent's Exhibit 204 for identification.)

By Mr. Walker:

Q. This Exhibit 204 for identification shows the locations of general Gentry warehouses where stocks of dehydrated onion and garlic.

Would you please explain this exhibit, Dr. Prater?

A. This is a list of locations of Gentry warehouses of dehydrated stock of onion and garlic, divided into three categories: One is the location of warehouse stock in March, 1951; another is the location where warehouses are stocked, and such warehouses were added after March of 1951.

In addition to that is a list of the cities in the last two categories where the year added is given, and the year they were discontinued is given.

2595 Q. Why did Gentry establish warehouse stocks where they did so after March of 1951?

This is shown on the exhibit under Roman numeral 2, Respondent's Exhibit 204.

A. We established the Ruckert Terminal Warehouse in Baltimore, Maryland, to meet the competition of Basic

who had the McCormick Company as a distributor in that city, or that area.

We had a distributor in Detroit, the Asmus Brothers that we lost to Basic, and we established a warehouse stock in order to remain competitive and keep our customers.

We had a distributor, Frank Tea & Spice Company, in Cincinnati, Ohio, which we lost to Basic, and we opened a warehouse stock in Cincinnati. We do have one small pack distributed through Frank Tea & Spice at the present time, but we have lost him for all practical purposes.

We established a warehouse location in Boston to meet the competition of Basic. We have either a warehouse or distributor in that area.

For the same reason we established a warehouse in Buffalo, because Basic had a warehouse in Buffalo, and Rochester, New York. We established this to meet that competition in that area.

2596 We had a distributor in Philadelphia, J. K. Laudenslager Company that we lost to Basic, and we opened up a warehouse to meet this competition.

We opened up a warehouse in Cleveland to meet competition of Basic, who had a warehouse in that location.

For that same reason we opened a warehouse in New Orleans, and opened the warehouse in Hawaii in order to penetrate the Hawaiian market.

Q. According to Respondent's Exhibit 204, Gentry now has warehouse stocks of dehydrated onion and dehydrated garlic in 15 cities, is that right?

A. That is correct, plus, you might say warehouse stock at the Gilroy plant.

Q. According to Respondent's Exhibit 160, in how many cities does Basic now have warehouse stocks other than those you mentioned supplied by the H. J. Heinz Company?

A. In addition to the warehouse stocks of H. J. Heinz Company, according to this exhibit, it shows 25. In addi-

tion they have warehouses at Vacaville and King City plant.

Q. Dr. Prater, how do you go about establishing a distributor for dehydrated onion and garlic?

A. We locate a person or a company who is selling a line similar to ours, selling to a similar type of
2597 customer, and convince him that he should take on our line.

We have our salesmen work with the salesmen in a general education program.

Q. How do you work with these distributors?

A. We have our salesmen in the area or our regional manager work with the distributor, explaining our line in general, and the education program.

We go out in the field with the salesmen and distributor at the start, and we take small orders and funnel them through the distributor. In general we encourage, up to a certain size, all the small businesses to go through the distributor.

Mr. Walker: I would like to go back, your Honor, and offer Respondent's Exhibit 204 into evidence as Respondent's Exhibit 204.

Mr. Hays: No objection.

Hearing Examiner Kolb: There being no objection, the document will be received as Respondent's Exhibit No. 204.

(Said document, heretofore marked Respondent's Exhibit No. 204 for identification, was received in evidence.)

Mr. Walker: I would like to have marked as Respondent's Exhibit 205 this document.

2598 (Said document was marked Respondent's Exhibit No. 205A & B for identification.)

By Mr. Walker:

Q. Dr. Prater, I show you Respondent's Exhibit marked 205-A and 205-B for identification showing Gentry's distributors as of December 31, 1958.

Would you please describe this exhibit, Dr. Prater?

A. This is Exhibit 205-A and B?

Q. Yes.

A. This exhibit is a document which consists of two sheets of paper, one of which is Gentry's distributors as of December 31, 1958, and the other is the companies that have been Gentry's distributors since 1951, and were not serving as such on December 31, 1958.

It gives the names and addresses.

Q. And those with the asterisks are the distributors who became such after April 1, is that right?

A. That is correct.

Q. And the city and state gives the location of that particular distributor's principal office, is that right?

A. Yes.

Q. By distributor, just to get this definition back in our minds, you mean a company which sells Gentry's dehydrated onion and garlic in original containers, is 2599. that right?

A. That is correct.

Mr. Walker: I will offer Respondent's Exhibit 205-A and B into evidence.

Mr. Hays: No objection.

Hearing Examiner Kolb: There being no objection, the document will be received as Respondent's Exhibit 205-A and B in evidence.

(Said document, heretofore marked Respondent's Exhibit 205-A and B for identification, was received in evidence.)

2600 Q. Dr. Prater, there are eleven distributors shown here as being established after April of 1951, if I have counted them right.

A. Yes.

Q. Why were these eleven distributors established as a group?

A. Well, as part of our program of funneling small business through distributors, and in an effort to meet Basic's competition, and their distribution through the H. J. Heinz Company. We had no nationwide distribution set-up, and in order to compete with the Heinz distribution, we added as many distributors as needed in as many areas as needed.

Q. Hasn't Basic used other distributors, other than H. J. Heinz Company?

A. Yes, Basic has many distributors, and some of these that we established here were established to meet Basic's competition.

Q. Was there a time when Basic used the distributors more than in recent years, other than Heinz Company?

A. At one time Basic led in the use of distributors, then they did not use them so extensively. We began using them much more extensively, and since 1954 and 1955 have used them extensively, particularly for all the small orders.

2601 Q. That time that Basic was the leader in the use, was that before 1950 or after?

A. I think that was probably before 1950.

Q. Now, would you please state which, if any, of these distributors indicated on Respondent's Exhibit 205-A and -B as having been added since April of 1951 were appointed to meet specific competition from other dehydrators of onion and garlic, other than the general type competition that you have already described.

A. Well, specifically, we appointed Harris Spice Company in Miami to meet the competition of Basic.

We appointed the Milwaukee Spice Mills in Milwaukee to meet Basic's competition. They had two distributors in Wisconsin.

Q. What did Basic have in Miami that made you take on the Harris Company?

A. Basic had warehouse stock. We appointed the Nel-

son Brokerage Company in Atlanta to meet Basic's competition with certain types of customers.

Q. Do any of these customers shown on Respondent's Exhibit 205-A and -B act as distributors for both Gentry and Basic?

A. Yes, the Crescent Manufacturing Company, the Frank Tea & Spice Company distribute for us slightly,
2602 in that they handle one pack for us, but mainly they are for Basic, in the chili products. They distributed very briefly for Gentry, I believe, in 1954.

Q. Didn't Mr. MacMillan testify that Woolson Spice does distribute for Gentry and Basic?

A. That is right, and it is very possible that there are more here that I am not aware of.

Q. Have you lost any of your distributors to any of your competitors?

A. Yes.

Q. Which ones?

A. We lost the Tone Bros. to Basic in DesMoines, the Marvin Asmus, or Asmus Company in Detroit to Basic. We lost the J. K. Laudenslager in Philadelphia to Basic, the Frank Tea & Spice, we have practically lost, because we have only one small portion of the distribution business there. We lost Van Loan Company to Gilroy Foods, and we lost Milwaukee Spice to the Gilroy Foods.

Q. Dr. Prater, there are a number of companies, I believe, identified as being distributors by customer classifications in Respondent's Exhibits 154 to 157. Those are the large sales record books placed in evidence out in Los Angeles, you will recall.

2603 Would you please state whether any of these companies that are coded as distributors are not included in Respondent's Exhibit 205?

A. Yes.

Q. Why is that?

A. These lists, or this exhibit would not show any companies that were coded as distributors in 1946 to 1951, who are not now distributors. In other words, they had been, but were not as of the date of this in 1951.

Q. Am I correct in stating that Respondent's Exhibit 205 includes only distributors for dehydrated onion and garlic?

A. Yes, and those other coded ones in the sales record books were for all distributors, including capsicum items.

Q. In which areas of the United States would it be advantageous from a business standpoint for Gentry to establish warehouse stocks of onion and garlic, dehydrated onion and garlic, where you don't now have warehouse stocks?

A. At present I don't believe it would be advantageous in any areas. I think we have probably the right amount.

Q. Could you use more distributors than you now 2604 have?

A. We are always on the lookout for good distributors. We believe we have about enough, but we are always on the lookout for good distributors.

Q. How many field sales respresentatives did Gentry have in 1951, prior to the acquisition by Consolidated Foods Corporation of Gentry?

A. Nine.

Q. How many field sales representatives did Gentry have in 1958?

A. Ten.

Q. What was the largest number of field representatives that Gentry had at any time between 1948 and 1958?

A. Twelve, in 1955, for a very short period of time.

Q. Now, Doctor, you said something in answer to one of the earlier questions about a bacteria count problem that, I believe you said, Basic started using, a maximum count on bacteria.

Could you describe in more detail what you meant on that occasion?

A. Basic went to many of our customers, or many customers that were shared by Basic and Gentry, and
2605 convinced them they should establish a maximum bacteria specification, generally of 100,000 micro-organisms per gram as a quality specification on the onion and garlic products used by that company. This became a severe competitive problem for us, and we had great difficulty in meeting this. We had lots of problems from a quality standpoint, and we were trying to meet it in our plants, and this competitively gave us a bad time in the field.

Q. Did you lose business as a result of this?

A. Yes, we lost quite a bit of business.

Q. Could you name some of the customers where the bacteria count standards became a problem, where you encountered it as a competitive device?

A. It was a problem in the baby food companies, like Clapps Baby Food and Gerber, and Beechnut. It was a problem in the so-called cold process foods, cold dressings, such as Henri's or Kraft, practically all the salad dressings, the cold mayonnaise salad people. There was a problem in certain meat packers, like Wilson & Company. It was a problem at Lipton's on dehydrated soups. That is about all I can mention right now.

2606 Mr. Walker: I would like to have this marked as Respondent's Exhibit 206 for identification.

(Said document was marked Respondent's Exhibit No. 206 for identification.)

By Mr. Walker:

Q. I show you Respondent's Exhibit 206 for identification which is a copy of a memorandum written by an individual named Marty to Lloyd Bellisime on August 20, 1954.

Would you examine this, Dr. Prater?

A. Yes.

Q. Who is the Marty who wrote this, Dr. Prater?

A. That is Martin Kraham.

Q. That is the man identified as being a Gentry sales representative in the Chicago area?

A. That is correct.

Q. At one time?

A. Yes.

Q. And Lloyd Bellisime, what was his position at this time?

A. In 1954, Lloyd was, or Mr. Bellisime was vice president of the Gentry Division, and was in charge of all sales, and was, for all practical purposes, the operating head of the Division.

Q. Was this document obtained from the files
2607 maintained by Gentry in the regular course of its business?

A. Yes.

Mr. Walker: I will offer Respondent's Exhibit 206 into evidence as Respondent's Exhibit 206.

Mr. Hays: No objection.

Hearing Examiner Kolb: There being no objection, the document will be received in evidence as Respondent's Exhibit 206.

• • •

2608 (Said document, heretofore marked Respondent's Exhibit No. 207 for identification, was received in evidence.)

By Mr. Walker:

Q. Dr. Prater, what companies are the major sellers to the retail trade of the instant onion product?

A. The R. T. French Company, Spice Island, McCormick-Schilling, Glidden, Albert Ehlers, Durkee, Woolson, Frank Tea & Spice, Crescent, McLaughlin, Gormley and King.

2609 Q. Dr. Prater, I would like to go back for a mo-

ment, if I may, to Respondent's Exhibit 207, to clarify one thing.

Would you look at the last paragraph of that letter?

A. Yes.

Q. You stated in this letter "Gentry at one time was the acknowledged leader."

That is referring to garlic. What time did you have in mind there, Dr. Prater?

A. From the time I came with Gentry until shortly before this period here, we were the acknowledged leader in the share of market, and quality.

Mr. Hays: Would you read that last answer?

(The answer was read by the reporter as follows:

"From the time I came with Gentry until shortly before this period here, we were the acknowledged leader in the share of market, and quality."

By Mr. Walker:

Q. Dr. Prater, referring to Respondent's Exhibit 171 for identification, this is an exhibit which shows the market shares of dehydrated garlic by members of the American Dehydrated Onion & Garlic Association in the period 1940 to 1958, during that period.

2610 In which of those years was Gentry the leading producer of dehydrated garlic in the sense they were the largest or had over 50 per cent of the market?

A. In 1949 we were over 50 per cent, and in 1950 and 1951, we were the largest, but we didn't have over 50 per cent.

In 1952, we had 50 per cent, and we were larger.

Q. And from 1952, you never got back up to the 50 per cent, is that right?

A. Our percentage share of the market dropped.

Q. So that is in 1949, 1950, 1951 and 1952 that you were referring to when you said Gentry was the leader?

A. Yes.

* * *

2611 By Mr. Walker:

Q. Dr. Prater, I believe before the last recess you had listed the number of companies that are the major sellers to the retail trade of the instant onion product, do you recall that testimony?

A. Yes.

Q. Which of those companies that you named make the largest purchases of instant dehydrated onion from the domestic dehydrators?

A. It would be Durkee, French, Spice Island, and dealers, Schilling-McCormick, Hunt—not Hunt—Borden, Wyler. I guess those would be the major ones.

Q. From which dehydrators have these companies purchased the major portion of their requirements of dehydrated onion used for dehydrated onion?

A. French would be Basic; Durkee is Gentry; Mc-
2612 Cormick is Basic; Wyler is Basic; Spice Island is Basic; Borden is Basic.

Q. What would the approximate volume of Gentry's sales of instant onion in 1959?

A. Instant minced onion, about a million pounds.

Q. Dr. Prater, approximately what portion of the total institutional business in dehydrated onion has been accounted for by the dehydrated onion that is packed in No. 10 tins?

The Witness: Would you read that question again, please?

(The reporter read the question as follows:

"Dr. Prater, approximately what portion of the total institutional business in dehydrated onion has been accounted for by the dehydrated onion that is packed in No. 10 tins?"

By the Witness:

A. The major portion of the business, over 90 per cent.

By Mr. Walker:

Q. In your opinion what dehydrator has the greater share of the total sales of No. 10 tins of dehydrated onion?

A. Basic, both through their own sales and through Heinz.

Q. To what extent are the No. 10 tins of dehy-
2613 drated onion sold to food manufacturers?

A. I don't think we know the exact amount. We know they are sold to many of the manufacturers including some of the smaller manufacturers.

Q. Now, Dr. Prater, would you please describe the changes that Gentry has made in its f.o.b. pricing practices for bulk onion and garlic since 1946 and state why those changes were made?

A. In 1946 we had a pricing policy of selling f.o.b. the plant and f.o.b. warehouses.

In about 1954 we began getting reports that Basic was delivering at a destination price the same as the warehouse price. We met this competition in some instances and in the spring of 1955 came out with a price structure effective July 1, 1955 establishing an f.o.b. destination price for all of our bulk onion and garlic.

Q. You said that in 1946 you were pricing on an f.o.b. plant and f.o.b. warehouse basis, and then you said that in 1954 you learned about Basic's practices being different about that.

How did you sell between 1946 and 1954?

A. We had an f.o.b. plant, an f.o.b. warehouse, and we did not have a destination or a delivered price until
2614 we started meeting this competition in some instances in 1954 and in the spring of 1955, and then until we set the whole pattern up to destination in '55.

2615 Q. Have the same changes been made with respect to institutional size packs of dehydrated onion and garlic?

A. No. Since 1946, as far as I am aware, we have always had an f.o.b. destination price on our institutional packs of onion and garlic.

• • •

Q. Dr. Prater, Mr. Sparling of Basic Vegetable Products, Incorporated, testified in this case that Basic changed to an f.o.b. destination pricing policy in 1954 to meet Gentry's competition. Do you have any comment on this testimony?

A. Well, they couldn't have done this to meet our competition on destination pricing since they started it. We had to follow them.

Q. What non-dehydrated products complete dehydrated onion and garlic, Dr. Prater?

A. Raw onion and garlic; garlic juice and onion juice; garlic oil and onion oil; the synthetic or substitute onion and garlic seasonings; and pureed onion and pureed garlic.

Q. Now other than raw onion and raw garlic that we are all familiar with, would you describe these other products?

A. The juices, onion and garlic juice, are liquids prepared usually by squeezing or pressing raw onion or raw garlic. They are often preserved with salt or vinegar.

The onion oil and garlic oil are essential of onion and essential oils of garlic obtained by an extraction or steam distillation process.

The substitute or synthetic seasonings are often mixtures of partly synthetic chemicals which may be similar to those in the natural onion and garlic. They are mixtures of oils and possibly even some powdered onion and powdered garlic mixed in with a salt or sugar base.

The purees, either onion or garlic, are made by actually—they are products that are actually made by pureeing or macerating the raw onion and raw garlic. These usually have some salt and maybe other preservatives added.

Q. What types of users buy these products, Dr. Prater?

A. Many types. The substitute seasoning people manufacture these, they buy some of these products, the oils,

for example, and they put them on a salt and sugar base with or without powdered onion and sell them as substitute seasonings. The users such as the pickle manufacturers, catsup manufacturers, relish manufacturers, meat packers, canners. I can think specifically in the substitute seasoning of Stange, Griffith, Dodge & Olcott, H. J. Mayer & Sons here in Chicago make the substitute seasonings, the American Home Foods uses these products—practically all of your major pickle companies use them.

2619 Q. Where are these products produced other than raw onion and raw garlic?

A. The juices are produced domestically that I am aware of. The synthetic substitutes or the seasonings, the mixed seasonings, are produced domestically.

The essential oil of onion and essential oil of garlic are usually imported, I believe generally—yes, generally from Egypt. The purees are produced domestically.

Q. In what countries is dehydrated onion or garlic produced outside of the United States, Dr. Prater?

A. In Italy, Egypt, Japan, Chile, Spain, France, Yugoslavia, Bulgaria, Hungary, West Germany, Israel. There is quite a bit imported or has been imported under the label of Holland, but we believe that has been mislabeled, it is not produced there.

Q. Is any produced in Roumania?

A. Yes.

Q. How about Mexico?

A. There is a considerable production in Mexico.

Q. What types of dehydration equipment are used in the plants in those countries?

A. I would say all types. They have conventional tray and tunnel types; they have an advanced tray and tunnel type where the trays are automatically indexed

2620 and carried through the tunnels by machinery.

They have bin type driers. They have a type of

continuous conveyor drier wherein the bins are sort of moved through the drying zone. They have continuous conveyor driers on belts. They have some where the belts are stacked on top of each other.

I would say just about every type that we have here and some more, too.

Q. Has Gentry in its laboratory had the occasion to test the quality of imported dehydrated onion and garlic from time to time in the past 10 years?

A. Yes.

Q. Has the quality of the imported dehydrated onion and garlic improved, deteriorated or remained the same during that period?

A. It has greatly improved.

Q. How has that improvement been brought about?

A. By improved production techniques and very probably by improved development of improved raw material sources of supply.

Q. How would you contrast the number of users of imported dehydrated onion and garlic at the present time in this country with the number of such users five years ago?

A. I would say the number has greatly increased.

2621 Q. What types of users now buy imported dehydrated onion and garlic?

A. I would say all types including manufacturers, repackers, distributors and institutional users.

Q. Has Gentry in your opinion lost business with any companies in recent years because of their purchases of the imported dehydrated onion and garlic?

A. Yes.

Q. Could you give us some examples of such companies?

A. The Hoger Company, a company known as Henderson's Portion Pack, Venice Maid, Van Loan, Griffith, Stange, Schoenfeld, the Howard Johnson Company, Pre-

servalene Foods, I believe it is, J. Grayfield, Tastee Food Products, United Food Products, Gel Spice Company, either D. Rosen or David Rosen or Rosen Company.

Q. What currently is the price comparison between domestic and imported dehydrated onion and garlic?

A. About 10 to 30 cents a pound under. The imported is about 10 to 30 cents a pound under the domestic.

Q. Has the price of imported dehydrated onion and garlic played any part in Gentry's determination of the prices to be charged for its dehydrated onion and garlic products?

A. Yes, it is one of the factors we have had to constantly keep in mind.

2622 Q. What impact has the use of mixed seasonings containing dehydrated onion or garlic had on your business, Dr. Prater?

A. Well, it has had a significant impact in that several customers we used to sell directly now buy the mixed seasonings and no longer buy the garlic and onion so much.

Q. Why do they want to use these mixed seasonings?

A. These are usually mixtures of our seasonings, onion and garlic, with other spices, other seasonings. Many customers would prefer to have a mixture like this delivered so they only measure out one mixture, one product in a batch. Often these mixed seasonings houses will even offer a particular net weight of a paper sack with so many pounds or ounces for a particular batch for reasons of convenience.

Q. Where do the producers of pre-mixed seasonings obtain their dehydrated onion and garlic?

A. Well, they get both domestic and foreign, and in this way the foreign products enter into many of the finished American products where normally an American producer would not buy the foreign product to put in his finished product.

Q. Did you testify that manufacturers of food products use these mixed seasonings?

2623 A. They do use them, yes.

Q. Very many of them?

A. I would say a large number of them: The meat industry, the dog food industry, the vegetable canning industry, the pickle industry—virtually every segment of the manufacturing industry uses these.

Q. How is the imported dehydrated onion and garlic distributed in the United States, Dr. Prater?

A. It is imported and either distributed by direct sale by a spice dealer, a spice importer, it is sold through regular distributors, it is repacked and put in, for example, No. 10 tins and sold under a label, "Packer in America." It goes to the institutional trade, it goes to the manufacturing trade, it goes to the repacking trade. It goes to just about every segment of business so far as we are concerned.

Q. In what cities do companies selling imported dehydrated onion and garlic maintain selling offices?

A. In virtually every major city that has a spice dealer, spice broker, there will be a representative who would handle these products.

Q. Would you name some of the principal distributors of imported dehydrated onion and garlic?

A. Sokol & Company, Schoenfeld, either the George Uhe Company or the George Uhe Company [sic] or the
2624 Pollack Division of the George Uhe Company; Quality Spice Company, Gel Spice Company, Van Loan. I am sure there are many others.

Q. Have any domestic dehydrators brought in imported dehydrated onion and garlic and sold it under their own labels in this country?

A. Yes. We have done that. We brought in dehydrated garlic from Japan. We repacked it under our own label. We brought in Egyptian onion flakes, reprocessed them, repacked them under our own label.

Puccinelli Packing Company has done this. Gilroy

Foods has done this. I believe that Basic has done this.

Q. This material already dehydrated, is that right, before it comes into this country?

A. The product I have just described, yes.

Q. And some of it you have done some processing to and others of it, as I understand your testimony, is just repacked in one of your containers and sold, is that right?

A. That is right.

Q. And is not identified as being imported dehydrated onion or garlic?

A. No, it is not.

* * *

2627 By Mr. Walker:

Q. Dr. Prater, what raw material procurement facilities does Consolidated Foods Corporation have outside your division that could be helpful to Gentry in any way in obtaining its raw materials?

A. None.

Q. Has Gentry built any new plants since it was acquired by Consolidated?

A. No.

Q. What plants are now owned or operated by Consolidated Foods Corporation outside the Gentry Division that could be used in any way for the production in whole or in part of dehydrated onion or garlic so far as the equipment in those plants is concerned?

A. I know of none.

Q. What types of new equipment has Gentry purchased since 1950 for use in the production of dehydrated onion and garlic?

A. Raw material handling equipment, dehydration equipment, preparation equipment, milling equipment. Those are rather general categories.

Q. Has Gentry installed any types of new equip-

2628 ment since 1950 that has not been used by your domestic competitors?

A. Not that I am aware of.

Q. Are there any new types of equipment now available to Gentry for dehydrating onion and garlic that are not available to your domestic competitors?

A. No.

Q. Dr. Prater, you have testified that Gentry has since World War II, including the years since 1951, improved its products, improved its sales efforts, improved its procurement practices, expanded its production facilities and purchased new equipment, is that right?

A. That is right.

Q. In your opinion, Dr. Prater, to the extent that these things were done since April 1951, could they have been done by Gentry if it had not been a part of Consolidated Foods Corporation?

Mr. Hays: Objection, your Honor. It is hypothetical, speculative.

Mr. Walker: It surely is an opinion question, your Honor, but I submit that it is an opinion question that falls within the area of proper opinion because this man who has been the operating head of his company for

2629 a number of years worked with the company as an executive prior to the time that it was acquired by Consolidated Foods Corporation and is intimately familiar with the company and with the industry, and I think that his opinion in this area is proper testimony.

Of course the weight to be given to it, since it is obviously a speculative question in the sense that it is based upon opinion, is another matter, but I do think that for whatever it is worth, it is proper for an expert like Dr. Prater to testify as to his opinion in this area.

* * *

2630 Hearing Examiner Kolb: I will sustain the objection to that question.

Mr. Walker: Before I go to the next question, your Honor, may I be permitted to make an offer of proof as to what the answer would have been?

Hearing Examiner Kolb: Yes.

Mr. Walker: If Dr. Prater had been permitted to answer that question, his answer would have been yes, and I would have asked the further question:

"What is the basis for that opinion?"

And if permitted to answer that question, he would have testified that in his opinion if Gentry had been an independent company, its sales would have gone up just as they did, and that this would have provided adequate earnings to do everything in the way of capital expenditures
2631 either out of earnings or borrowing that had been done during those years.

By Mr. Walker:

Q. Dr. Prater, did Gentry prior to the time that it was a part of Consolidated Foods Corporation improve its products?

A. Yes.

Q. And did it improve its sales efforts?

A. Yes.

Q. And did it improve its procurement practices?

A. Yes.

Q. Did it expand its production facilities?

A. Yes.

Q. Did it purchase new equipment?

A. Yes.

Q. To what extent, Dr. Prater, has Gentry obtained executive personnel from other parts of Consolidated Foods Corporation?

A. Very little. We have one man, Mr. Moore, who came to us from Rosenberg Brothers a little less than two years

ago. He was the west coast traveling auditor for Rosenberg Brothers.

2632 Q. To what extent were your executives in the Gentry Division with Gentry before it was acquired by Consolidated?

A. Practically all of them. Well, all of them were with Gentry before the acquisition. They were hired by Gentry, trained by Gentry, you might say developed by Gentry.

Q. That is except Mr. Moore, of course?

A. Except Mr. Moore.

Q. Have any of your plant or sales personnel been obtained from other parts of Consolidated?

A. No, they have not.

Q. And this would include your plant managers and the men in charge of your Chicago and New York offices?

A. That is correct.

Q. How long have the men in charge of your Chicago and New York offices been with Gentry?

A. Since 1949 or 1950, in one case, and about '52 or '53 in the other case.

Q. Where in the other offices and units outside the Gentry Division does Consolidated have any product research facilities that would be useful to Gentry?

A. Nowhere.

Q. To what extent has Gentry made any use of

2633 Consolidated's warehousing facilities, that is, of the units other than Gentry?

A. We have made a very limited use of the Sprague-Warner warehouse in Chicago. We rented space there, regular warehouse space. We rented a small office space there for a short period of time. They moved the Sprague-Warner warehouse to River Grove and this was not a suitable location for us, so we moved our office and moved our warehouse stocks into a public warehouse.

Q. And there are no other warehouses owned or oper-

ated by Consolidated units other than Gentry that you have made any use of?

A. No.

Q. What warehouses of Consolidated could be used advantageously by Gentry in your opinion?

A. None.

Q. What use has Gentry made of Consolidated's wholesale distribution units?

A. Would you repeat that?

Q. What use has Gentry made of Consolidated's wholesale distribution units?

A. Very little. We do sell a small amount to some of them.

Q. When you say "very little," are you referring
2634 only to the products that you sell to them?

A. Yes; in fact, that is the only use we have made of them.

2635 Q. Which of Gentry's products are packed for sale at retail?

A. Actually practically none. We have a very small pack of pimentos and green chilies.

Q. To what extent are Gentry's products sold by Consolidated distribution units to food processors and institutional users?

A. Food processors, practically none; institutional users, very little. Consolidated handles the Heinz institutional line which contains Magic Onions packed by Basic. We have been very cautious about pushing our products through Consolidated.

We have a large number of institutional distributors throughout the country who are competitive to Consolidated. Monarch or Consolidated does not have a nationwide brand, and if we were to let—or try to promote our brand through Monarch or through Consolidated, we would hurt ourselves in many areas with our current institutional dis-

tributors in areas where Consolidated doesn't even cover.

Q. And when you say in areas which Consolidated does not cover, are you referring to areas where there is another distributor of your products located in that area and a Consolidated distribution unit in that area who
2636 has a smaller area of coverage than the outside institutional distributor?

A. Yes. Either that or where the areas might overlap slightly.

For example, Monarch or Consolidated is not nationwide. In many areas they do not cover. There might be a slight overlapping which would hurt us not only in the area of the overlap but hurt us throughout the other territory of our institutional distributors.

Q. Are public warehouses available in all cities where Consolidated has warehouses, Doctor?

A. Yes.

Q. Has Gentry used any Consolidated brands other than the Gentry brands?

A. No.

Q. In your opinion would any advantage be gained from the use of such brands as opposed to the Gentry brands?

A. No, it would be no advantage.

Q. What is the largest amount that Gentry has spent on advertising in any one year since 1950?

A. About $20,000.00.

Q. What benefits could Gentry obtain from increased advertising expenditures?

A. In my opinion none. We sell products to the type of customer with whom advertising is not particularly
2637 effective. The food processing industry does not yield itself to advertising such as the retail trade. We have to be careful. If we were to try to advertise, we could hurt our distributor business where our smaller customers might

tend to buy direct, and in our opinion there is just no benefits to be gained from advertising.

Q. To be gained from large advertising expenditures?

A. Yes.

Q. In your opinion how many more sales representatives could Gentry effectively use?

A. I think at the present time we have about the right number.

Q. Why is that, Dr. Prater? On what do you base that conclusion?

A. Well, we have enough to call on the accounts with a pattern of frequency that we consider desirable. We have enough to service our business through the distributors.

Adding more salesmen would increase our sales cost. This is a very competitive business. We don't want to add men or incur costs unless needed. We believe we have about the optimum number for the present condition of operation.

Q. Dr. Prater, how much control does Consolidated
2638 central office exercise over the Gentry Division?

A. Very little. I must justify capital expenditures. I discuss with Mr. Kennedy general business matters. I seek his advice on all major or really important decisions. But mostly he lets me run the Division.

Q. How often do you meet with Mr. Kennedy?

A. I meet with him from three to six times a year. I usually have a long telephone conversation with him about once a month.

Q. Do you meet any more frequently with the other top executives of Consolidated?

A. No.

2639 Q. What types of matters do you discuss with Mr. Kennedy, Dr. Prater?

A. In general, how sales and how profits are going. I discuss the budget requests, and any major policies, any

major changes in executive personnel, and any strike situations.

I discuss anything that is of enough unusual nature to seek his advice.

Q. On important policy matters you consult with Mr. Kennedy, is that right?

A. On important policy matters, I seek his advice, and also executive advice from Mr. Cummings.

Q. What written reports do you make to the central office?

A. Routine.

Q. What central office personnel do you use, other than your conferences that you described with Mr. Kennedy?

A. Well, legal advice on situations such as this case; budget advice, financial advice from the Treasurer; and executive advice from Mr. Cummings and Mr. Kennedy from time to time.

Q. Did you submit to the central office minutes of any of your meetings?

A. Yes, minutes of executive committee meetings 2640 routinely.

Q. Did you make use of the Consolidated central buying office or the west coast buying office?

A. No, we do not.

Q. Have any personnel of Gentry been employees of Consolidated Foods Corporation prior to working for Gentry, other than Mr. Moore?

A. We had one clerk, one lady who came to work for us, and she is no longer with us.

Q. Does Gentry supply all of Consolidated Foods Corporation's needs of onion, garlic and capsicums?

A. No, we do not.

Q. What requirements does it not supply?

A. Consolidated distributes the Heinz line, including Basic's No. 10 tins, we do not supply those. We do not sup-

ply all of the capsicum products. We do not supply the majority of the pimento products.

Is this limited to dehydrated products?

Q. No, onion, garlic, capsicums.

A. All right.

Q. Which of the Consolidated Foods units still use raw onion rather than dehydrated onion?

A. Coastal Foods, a division that used to be Phillips Packing still use some raw onion. We converted them partially to dehydrated after quite a bit of effort.

2641 The Afton, Iowa plant of Columbia Foods is partially converted, and the Sugarland, Texas plant of Columbia Foods have been converted to a lesser extent from raw to dehydrated.

Was this limited to raw?

Q. Yes.

Do any of the Consolidated Foods units use prepared seasonings?

A. Yes, the pickle plant in West Chicago, Afton, Iowa, and the relish plant, the catsup plant all use prepared seasonings.

Q. Where do they buy the prepared seasonings?

A. From Stange and Griffith.

Q. Does Gentry sell dehydrated onion or garlic to Stange or Griffith?

A. Small amounts.

• • •

2643 (Said documents, heretofore marked Respondent's Exhibits Nos. 216 through 230-A to D, inclusive, for identification, were received in evidence.)

Mr. Walker: Your Honor, I won't interrogate about these documents, unless you wish.

Hearing Examiner Kolb: No, it is all right.

By Mr. Walker:

Q. Dr. Prater, when did Gentry commence packing canned pimentos?

A. 1955.

Q. Has it packed them continuously since then?

A. Yes.

Q. How much of the needs of canned pimentos does Consolidated purchase from Gentry?

A. About 25 per cent, with the rest being purchased from other California canners, and Georgia canners.

Q. In your opinion, has Gentry lost sales of dehydrated onion or dehydrated garlic as a result of their relationship with Consolidated since April, 1951?

A. Yes.

Q. On what do you base that opinion, sir?

A. On call reports, on correspondence from the men, and on oral reports from the men.

2644 Mr. Walker: I would like to have identified as Respondent's Exhibit, these documents which have been marked Respondent's Exhibits 231 to 364.

(Said documents were marked Respondent's Exhibits Nos. 231 to 364, both inclusive, for identification.)

By Mr. Walker:

Q. Dr. Prater, I direct your attention to Respondent's Exhibits 231 to 364 for identification.

Were these documents, the call reports, memoranda, letters, et cetera, written by Gentry sales representatives and brokers?

A. Yes, sir.

Q. Are these the documents on which you have testified you base the opinion you gave as to the lost sales of dehydrated onion and dehydrated garlic?

A. Yes.

Mr. Walker: Mr. Hays, do you wish me to lay more foundation?

Mr. Hays: I take it that you are offering them only for

supporting his opinion, and not for the truth contained in the documents?

Mr. Walker: Only for the purpose of supporting his opinion. He said his opinion was they had lost sales,
2645 and this is what he based that opinion on. This is exactly on the same basis that the call reports were offered when Mr. Sparling testified.

Mr. Hays: The Basic call reports?

Mr. Walker: That is correct.

Mr. Hays: I have no objection.

Hearing Examiner Kolb: Just a minute. We will go off the record.

(Discussion off the record)

Hearing Examiner Kolb: On the record.

Mr. Hays: The only thing I can say is that there has been an off-the-record discussion, and it is my understanding that the Basic call reports are in evidence for the truth of the matters stated therein, and these Respondent's Exhibits will likewise go in on that basis.

Is that correct?

Mr. Walker: That is correct.

Mr. Hays: Then I have no objection.

Hearing Examiner Kolb: There being no further objection, the documents will be received in evidence as Respondent's Exhibits 231 through 364.

(Said documents, heretofore marked Respondent's Exhibits Nos. 231 through 364, both inclusive, were received in evidence.)

2646 Mr. Walker: I had perhaps better say for the record, that I don't want anybody to contend that because I have consistently maintained in this matter this position that these, this documentary evidence on which this case has been built from the beginning is to my mind objectionable throughout, but that is why I have very carefully said, your Honor, I want these documents to be con-

sidered on the same basis as the documents placed in evidence by the government and received in evidence by the government at the time of the presentation of its case. If it is decided later, at a later time that those documents are not proper evidence, then surely these documents are not proper evidence. If it should be decided that those documents are proper evidence, then surely these are proper evidence, since they all come from the same source.

Hearing Examiner Kolb: Would the difficulty arise from the fact that the basis for the introduction of these documents is that they are the basis upon which the witness arrived at his opinion, and the question of weight would then follow?

Mr. Walker: That is right.

Hearing Examiner Kolb: They are admitted on
2647 that basis, but as for giving weight, that will come in later.

Mr. Walker: That is right, your Honor.

By Mr. Walker:

Q. Dr. Prater, there is a reference in some of these documents to a product called laffe. What is that product?

A. That is one of the labels used by Basic to describe the No. 10 tins of onions.

Q. Doctor, you described in some detail earlier in your testimony your sales supervision duties within Gentry, and I won't trouble to repeat it at this time, but do you recall that testimony?

A. Yes.

Q. Doctor, have you made it a practice to discuss Consolidated Foods Corporation with the customers you have called on since Gentry was acquired by Consolidated?

A. No.

Q. And that would be true of the customers' representatives you meet at meetings?

A. That would be true there, yes.

Q. Why have you not made it a practice to discuss Consolidated with representatives of the customers you have talked with?

A. Well, I don't think it is a good selling tool
2648 or selling technique. I think we should sell our products on service, quality and price. We deal with purchasing agents who are very jealous of their prerogatives, and they resent any approach based on any reference to Consolidated. We are a division, wholly autonomous, and we are charged within Consolidated with running our own business and making a profit. Other divisions likewise have that same obligation. If we were to attempt to dictate purchasing policy or interfere with their purchases, they would resent it. If they need to buy from someone, to have his brand in order to make a profit, they should do so.

The competitive factor with us is a very serious one, and if we were to mention Consolidated to many of our customers. If, for example, in talking, say to meat packers we were to discuss with Armour, they might not want to be selling Consolidated. If Swift thought we were in on discussions of this type, we could lose a very real customer in Swift. Customers like Schilling-McCormick, on the other hand, and Durkee, on the other hand, are both anxious to sell Consolidated. We could get caught in a very bad situation, in the middle.

2649 Further, in the sale of these products, there are just too many other factors involved. We need to sell service; we need to sell good quality, and I just don't think it is good selling policy.

Q. When you said the purchasing agents resented the approach, Doctor, you don't mean that all purchasing agents do, do you?

A. No, I don't think all of them do. They are all very jealous of the prerogatives, and they are very conscious of buying on quality, and they like price. They want good

service, and they don't want anybody telling them how to run their business.

Q. Dr. Prater, in your opinion, what effect has the fact that Gentry is owned and operated by Consolidated Foods Corporation had on the ability of Gentry to sell dehydrated onion and dehydrated garlic?

A. In my opinion, it is none, it has not had any significant impact. There are so many factors involved in selling these products—quality, meeting of specifications, understanding of what the customer needs, the personalities of the salesmen involved. It is true, from reading the documents in the record, that some of our men must have believed in reciprocity. I don't think it had any significant impact. We have had many, many references to documents where we have been hurt, where our customers
2650 wouldn't buy from us. How much of this you can believe—you have to take your salesmen's reports, and you can't believe it is true as gospel. It is mentioned to us all the time, and our men hear it all the time, and it must have had some impact, but I think if we gained business in one area, probably we lost it in others.

I might add that just last week, before I came here, I saw a very distressing call report from a very large customer, or potential customer, where our man reported that after about a half an hour the buyer, very embarrassed, said, "I am sorry, but the door is closed to Gentry."

Our man thought that it might have been something personal, that he was personally involved, so he said, "Would you like to have somebody else from Gentry call on you?"

The buyer told him, "No, the door is closed to Gentry."

Q. What company was that?

A. That was Libby.

Q. Is that Libby McNeill & Libby?

A. Yes.

Q. Dr. Prater, does the name of Consolidated Foods Corporation appear on all of Gentry's labels?

A. No, it does not.

2651 Q. On which does it not appear?

A. It does not, and it has never appeared on our labels of the institutional packs, the smaller packs designed for institutional trade.

Mr. Walker: I would like to have these identified as Respondent's Exhibits 365 to 371.

(The documents referred to were respectively marked Respondent's Exhibits 365 to 371 for identification.)

Mr. Walker: These are just a few samples of the labels on the products that Dr. Prater has described.

I would like to offer into evidence Respondent's Exhibits 365 to 371.

Mr. Hays: No objection.

Hearing Examiner Kolb: There being no objection, the documents will be received in evidence as Respondent's Exhibits 365 through 371 inclusive.

(Whereupon, the documents referred to, heretofore respectively marked Respondent's Exhibits 365 through 371 for identification, were received in evidence.)

2652 Q. Why do you not have the Consolidated Foods Corporation name on the labels of the products that are sold to the institutional trade?

A. We figured that it would hinder the sale, hurt our ability to sell these products, and we did not want to call attention to the fact to the institutional trade that we were a part of Consolidated Foods.

Q. Have you in the past used other labels or forms of any kind that didn't have the Consolidated name on them?

A. Yes, we used whatever stationery forms, and in general, all the printed materal up that we had. We just threw away some last July, some which we had had since 1951

that were no longer accurate, because we had moved our office.

We threw away a supply of envelopes and forms that we were then using.

Mr. Walker: Mr. Hays, at the time of the San Francisco hearing, there were three call reports written by a Gentry salesman named Mr. Curtis. Mr. Springer was the witness who was being interrogated about the call reports. They were not placed in evidence then because Mr. Springer didn't write them.

I would like at this time to have them received in evidence as coming from the Gentry files, and I can
2653 lay the foundation through Dr. Prater, if you wish.

Hearing Examiner Kolb: What are the exhibit numbers?

Mr. Walker: They are numbers 177, 178 and 179, your Honor, and they have never yet been received.

Hearing Examiner Kolb: Mr. Hays, is there any objection?

Mr. Hays: No objection.

Hearing Examiner Kolb: The documents will be received in evidence as Respondent's Exhibits 177, 178 and 179.

(Said documents, heretofore marked Respondent's Exhibits Nos. 177, 178 and 179, respectively, for identification, were received in evidence.)

• • •

2654 *Cross Examination*

By Mr. Hays:

Q. Dr. Prater, in your direct examination you described certain substitutes, as you called them, for dehydrated onion and garlic.

Will you tell me again just what these substitutes were?

A. One is raw onion and garlic, garlic juice and onion

juice, garlic oil and onion oil, puree of garlic, and puree of onion, and a class of so-called substitute seasonings which could be oils, chemicals, absorbing sugar and starch, with or without powdered onion or powdered garlic mixed in with them.

Q. In what products may onion juice be substi-
2655 tuted for dehydrated onion?

A. Well, it may be, or an attempt may be made to substitute it in almost any products where you use dehydrated onion.

Q. Do you know of any of your customers, or potential customers, who use onion juice as a substitute for dehydrated onion?

A. Either use or have used, yes.

Q. Will you name those that you know?

A. Meat packers, in Los Angeles, and I believe it was Wilson & Company whose headquarters were here in Chicago. They proved the use of onion juice. Some of the pickle manufacturers have used juices. There is a certain retail sale of the onion and garlic juices which is packed by the repackers put out under their label as a substitute for the dehydrated onion and dehydrated garlic.

Q. When did Wilson & Company substitute onion juice for dehydrated onion?

A. I am not sure, several years ago.

Q. For how long a period did they substitute onion juice for dehydrated onion?

A. I think for a period of probably a few months.

Q. And then did they go back to the dehydrated onion?

A. I believe they did. It may have been Cudahy,
2656 but I think it was Wilson, and it was not successful.

Q. In other words, the use by the company that you know of in the meat field, that is, to substitute onion juice for dehydrated onion, was not successful?

A. I believe that is correct. I also think that Morrell

& Company, in their dog food, tried juices, but whether they still use them, I don't know. They are using something for a substitute for powder.

Q. They are using something as a substitute?

A. Yes, for dehydrated onion. It may be the juices, and it may be the oils.

2657 Q. Now, which pickle manufacturers substituted onion juice for dehydrated onion?

A. I am not sure. The pickling industry in general is using a large combination of juices, oils and substitute seasonings. I would not be sure which ones were using juices for onions or garlic.

Q. Do you know which ones use any onion juices?

A. Well, I don't know that I could name any that I would say is using any onion juice. Many are using one of the other substitutes, or a mixture.

Q. Now, which companies do you know of that have substituted garlic juices for dehydrated garlic?

A. I believe that is in about the same category as the onion juices.

Q. You mean it was not successful when it was used?

A. That is correct. And I believe the same people tried the substitution of the straight juice for the dehydrated.

Q. In your opinion does the substitution of onion juice and garlic juice for dehydrated onion and dehydrated garlic adversely affect the outlook for the dehydrated onion and dehydrated garlic expansion?

A. Not seriously. There have been some accounts in businesses going over to it, or to the other substitutes.

2658 Q. I am just talking about the onion and garlic juices.

A. In some cases we are not sure which substitute they have gone over to. The onion juice and the garlic juice is not the most serious threat among all the substitutes we are talking about.

Q. Do you know of any instances where any users of dehydrated onion or garlic have switched to a substitute, switched back and forth, where they have used dehydrated onion and garlic, and switched over to the juices, and back to the dehydrates?

A. Do you mean from dehydrates to juice, and back to dehydrates, and then juice again?

Q. Yes.

A. No, I think the quality of the juices is so poor that if they had switched back and forth once, they wouldn't do it again. The juices are sold in all the retail stores by many of the repackers such as the spice houses.

Q. Are they used by the housewife?

A. Yes.

Q. Do you know how the housewife uses these juices?

A. I have never seen them used. I would presume they are used like any other seasoning.

Q. Who manufactures this onion juice and garlic 2659 juice?

A. There is a company by the name of Peacock Manufacturing Company that puts it out under their own label in stores. There is a company here in Chicago that was called, I believe, and still is called the Vegetable Juice, or Vegetable Juice, Incorporated. There may be others, but I don't know the names.

Q. Now, how is oil of onion made?

A. True oil of onion is made usually by steam distillation of the raw onion.

Q. Is that true of oil of garlic also?

A. It is true of the legitimate, genuine oil of garlic, yes.

Q. When you referred to oil, did you refer to the legitimate oil of onion, or some other kind of oil of onion?

A. Yes, the reason I used the word legitimate is because essential oil, or true oil of onion or essential oil of garlic are very potent, very strong oils, usually produced

in Egypt or France. They are then used sparingly, or used by dilution. It is also sold in retail markets as a blend of essential oil of garlic in cottonseed oil or vegetable oil.

It is onion-flavored oil or garlic-flavored oil.

2660 Q. To what extent that you know about is oil of onion used as a substitute for dehydrated onion?

A. It is offered by the essential oil houses, and used in some of the synthetic substitute seasoning mixtures. I have no statistics on its use.

Q. Do you know of any companies that use it?

A. I believe that the manufacturers of the substitute seasonings, prepared seasoning mixes, such as Stange and Griffith use it.

Q. Do they use it interchangeably with dehydrated onion?

A. I don't think they could use it perfectly interchangeably. They could use it in mixtures to influence the amount of dehydrated onion or garlic. It might be put in the mixes.

Q. In other words, they would have some dehydrated in the mixture but they would use the oil to strengthen the flavor?

A. They could, or you could have it along with other synthetics, and make it a purely synthetic seasoning.

Q. To what extent is the synthetic seasoning in use today?

A. As distinguished from the mixtures which are fortified with powdered onion and powdered garlic

2661 on the one hand, and the ones that are just pure oil and synthetic on the other, I would say the pure oil and pure synthetics were less in relation to the prepared seasonings with those synthetics or those oils with varying amounts of powdered onion or powdered garlic.

Q. Do any of your customers use dehydrated onion interchangeably with oil of onion, or dehydrated garlic interchangeably with oil of garlic?

A. Well, we have lost some business to people like Morrell for the dog food packs, and other dog food packs. The pickle manufacturers, we have been told, and this is because they are using oil of onion and oil of garlic.

Q. Do they use these interchangeably, or have they switched over to the oil and used that instead of the dehydrated onion?

A. Unfortunately, in the pickle industry they have almost switched over, and they have not changed back. I believe that is also true in the dog food and the Chef Boy-Ar-Dee, the American Home Foods. I don't believe the American Home Foods pack dog food, but I mean in the regularly packed foods they have switched largely to the use of oils.

Q. Is that somewhat similar to the switch that was
2662 made when they started to use dehydrated onion and dehydrated garlic instead of the fresh onion and fresh garlic?

A. Well, in the case of the American Home Foods, and the pickle people and the dog food people it is similar if you want to say it is a substitution of one for the other. It is not nearly as good a substitution in our opinion, since it removes them from the market.

Q. But it is a substitution that has been made, isn't that correct?

A. Yes.

Q. There is no interchangeability back and forth to any extent, is there?

A. We haven't been able to convince them to revert back to the dehydrated.

2663 Q. How does this oil of onion and oil of garlic affect the outlook for the expansion of the dehydrated onion and dehydrated garlic business which you have said in your opinion will come?

A. Well, it affects it adversely. The product that it

displaces is the powdered onion and the powdered garlic. The replacement of a customer who uses a fairly large quantity of powdered products such as the American Home Foods, the replacement of that customer as a powdered onion and powdered garlic customer by oil, making them an oil customer, has an adverse effect on us.

Q. When you testified with reference to the expansion of the dehydrated onion and dehydrated garlic use in the future, did you believe that this expansion would come from the use by manufacturers of food products to any extent?

A. Yes, to a considerable extent.

Q. Did you consider the impact, if any, of the oil of onion and the oil of garlic insofar as manufacturing use was concerned when you stated that in your opinion dehydrated onion and dehydrated garlic use would expand in the future?

A. Well, I considered in making up my mind, or making my opinion that these oils and juices will have an ad-
2664 verse effect on the expansion, but there is still going to be a good, substantial expansion.

I might add that very recently a new company has come out with a synthetic spray dried, and we believe fortified substitute for onion and garlic, which they are promoting quite vigorously.

Q. When did that happen?

A. We are just evaluating it now, just in the process of evaluating it.

Q. What type of customer buys this puree onion?

A. Meat packers, repackers, sausage makers, and some distributors distribute it.

Q. Do they make the pureed onion from fresh onion?

A. Was this onion or garlic?

Q. I referred to both. Is the puree onion made from fresh onion?

A. Yes.

Q. Can it be made from dehydrated onion?

A. Yes, not as satisfactorily, but it could be.

Q. Is this pureed garlic made from fresh garlic?

A. Yes.

Q. Could it be made from dehydrated garlic?

A. We have tried, and we have not been able to convince the customer to buy the product.

Q. Which of your customers or potential customers
2665 that you can name use pureed onion?

A. This is onion as distinguished from garlic?

Q. Yes, sir.

A. There are two or three companies marketing pureed onion at retail. I believe one is U DO Teramino down in, I believe, New Orleans, and the Enchantment Products Company in California, that I believe markets it under its own name.

Potentially, it could be marketed by any one of the repackers.

Q. Now, am I correct in my understanding that this pureed onion is sold for ultimate use by a consumer purchasing at retail?

A. I know some of it is, yes.

Q. How is the rest of the pureed onion used by the users?

A. I am not too sure.

Q. How is pureed of garlic used by the various types of users?

A. Used by repackers to sell at retail, used by meat packers, by the sausage makers. I am aware of those.

Q. Now, which meat packers can you name that use this pureed garlic?

A. Swift & Company, I believe is the largest user, and maybe some other sausage makers. They use it in
2666 sausage making, and I believe there are meat packers in the south using it, they are buying it through distributors.

Q. Can you name those meat packers?

A. No, I cannot.

Q. Does Swift & Company use pureed garlic interchangeably with dehydrated garlic?

A. I would say the answer to that would have to be yes. They prefer pureed, but if pureed is not available, I don't know if they would go to the raw or to the dehydrated, but I suspect the dehydrated.

Q. But you don't know what they use when the pureed garlic is not available, do you?

A. I know at times they use raw, and at times they use dehydrated.

Q. Is the pureed garlic used by Swift & Company only in sausage?

A. Sausage and other processed meats.

Q. Does Swift also use dehydrated garlic for other processed meats in which it uses pureed garlic?

A. To the best of my knowledge, yes.

Q. For how long—

A. I might add another user of the pureed garlic, and substantial user is in the prepared spread, the prepared paste type of cheese type of spread. The kinds that
2667 you buy in the store and spread for hors d'oeuvres.

Q. What companies do you know of that use that?

A. Lawry's, and I am sure there are some others.

Q. For how long has Swift used the pureed garlic in sausage and other meats?

A. I would say from about 1953 or 1954.

Q. How long has Lawry's used pureed garlic in its spreads?

A. I would say from 1953 or 1954, or possibly 1955.

Q. Now, before Swift started using pureed garlic in its meats, did it use fresh garlic or dehydrated garlic?

A. I believe it used both.

Q. What about Lawry's?

A. I believe that Lawry's did not make this product before they started making it out of pureed garlic.

Q. It has, of course, been well established in the record that Consolidated Foods' Gentry Division is a competitor of Basic Vegetable Products Company. Why does Consolidated Foods buy the Basic Vegetable product, onion and garlic, which is sold by the Heinz Company?

A. They buy it because they can buy it and resell it to make a profit.

Q. They don't object to buying and selling a competitor's product?

2668 A. No, the history of their business is that they did this all the time. It is one of their main sources of revenue.

Q. Buying competitors' products?

A. If they can sell it at a profit, yes.

2669 Q. Yesterday, Mr. Flavin of the Woolson Company referred to the pelletizing of onion flakes, in chili, I believe it was.

What is the pelletizing, Dr. Prater?

A. Pelletizing as was experienced there was an agglomeration of onion particles into a bigger clump or bigger agglomeration. They had the problem of where they would take the dehydrated product, and as I recall, in dispersing it in the mixture or the water, it would tend to not disperse readily, but the individual particles would agglomerate together as distinguished from a product that would disperse easily and readily throughout.

Q. Did any of your other customers have this same problem at the same time that you know about?

A. We have had complaints of a kind relating to the difficulty of taking the dehydrated product, the onion and the garlic from the container and putting it in the final mixture, and of having it almost thoroughly wetted. This depends on the kind of equipment, whether hand or machin-

ery. It has been a problem related to the mixing and the chemistry of the product, related to the ability of the product to reabsorb the water. This has been a problem in some instances, yes.

Q. On direct examination you testified that gov-
2670 ernment sales of dehydrated onion by Consolidated Foods decreased, is that correct?

A. You mean by Gentry?

Q. The Gentry Division of Consolidated Foods had decreased, is that correct?

A. That is correct.

Q. And I believe you attributed that to two reasons, is thas correct?

A. That is correct.

Q. What were those reasons?

A. One, the government requirements, as we understand them, have decreased somewhat in recent years, and the major immediate effect on us in 1957, the government started reserving the major portion of these bids, for small business, the so-called set-asides. We applied for and were denied small business status by the Small Business Administration.

Q. That occurred in 1957?

A. Yes, I believe we applied, the bid, I believe, was in late 1957, yes.

I might add that we protested bitterly, to no avail.

Q. Was your onion and garlic operation operating at capacity in 1957?

A. I would say substantially, yes.

2671 Q. Is it operating at capacity today?

A. Well, this past season, yes. This is a seasonal business.

Q. I don't mean February 22; I mean during the past year.

A. Yes.

Q. Its operation during the past season was or has been greater than its operation in 1957, is that correct?

A. I would say we produced more product, yes.

Q. How has Basic Vegetable been the leader in procurement of raw materials?

A. I beg your pardon?

Q. How has Basic Vegetable Products Company been the leader in procurement of raw materials?

Mr. Walker: That was not the testimony, Mr. Hays, but I know what you mean, and I believe Dr. Prater knows what you mean.

The testimony was that Basic had been the leader in innovations and improvements of procurement of dehydrated onion and garlic.

By the Witness:

A. Well, they had been the leader in research and development in raw material fields, and in crop development. They spent considerable sums of money and
2672 led in research and development of crop techniques, in harvesting techniques, loading equipment, bulk storage and bulk hauling, all of which tied into procurement. They put a very intensive effort behind garlic, and they put in specialists in the field, specialists in the growing and handling of garlic. They have been very active in this whole field, and they have done much more than anyone else in the industry has.

Q. Did the Gentry Division of Consolidated Foods Corporation copy any of the innovations that Basic first put into effect?

A. Well, I would say that since I have been with Gentry in 1945 that we and every competitor has copied every worthwhile innovation anybody has made, attempted to find out about it, and have legitimately used it in the normal course of business. Our men are in the field, and the trucks will be side by side in neighboring fields. We try to keep

alert as to what is going on, and if improvements are made, we certainly copy them. Others copy and Consolidated Foods does the same thing.

2673 Q. In other words, if you are the leader in an innovation and the innovation is very good, you are not the leader very long, are you? They are all up to you?

A. We might lead for from five to six to eight years in some of these areas.

Q. Was Basic the leader that much?

A. I think so.

Q. Have you caught up with them now in these innovations?

A. In some areas.

Q. In what areas have you caught up with them in innovations?

A. Well, the area where they have been furthest ahead from the standpoint of time is in the crop breeding and crop research program. This is a long-range program which takes many years to bring to fruition. One can follow a program like that and you initiate your own, you cannot copy them. We each go our own way in that area, all with the same objectives in view.

Q. But let's talk about these innovations in procurement. Have you caught up with Basic yet or are they still the leader?

A. Well, one of the innovations in procurement is
2674 a procuring of an onion with better dehydration quality from a standpoint of solids, from the standpoint of dehydration characteristics, ability to dehydrate a good quality product. We have not caught up with them in that area and I think economically this is a very important item.

Q. Are there any areas in which you have caught up with Basic in so far as procurement innovations are concerned where they once were the leader and you are now

the equal with them?

A. Basic started working on the greening problem in the onion and garlic field and it has now become a program of the American Dehydrated Onion and Garlic Association. We are all contributing to that program jointly, and I would say that we have caught up in that area, yes.

Q. Are there any other procurement innovations where you have caught up with Basic?

A. I would say in the mechanical harvesting, in the bulk handling, the bulk hauling, the bulk storage, we have caught up with them in those areas.

Q. When did you catch up with them in those areas?

A. This has been a gradual process. In 1945 when I went to work for Gentry, we handled all onions, all
2675 garlic in bags or crates. We loaded the trucks by hand. We stored by hand.

There has been a gradual change from bags to bins, from bins to bulk hauling, and there has been much, I would say, interplay with improvements all along the line.

2676 Q. When did you catch up with them?

A. I don't know that you can say we have ever exactly caught up with them. We think we are equal in some respects and probably not in others.

Q. Well, in the respects in which you are equal, when did you become equal?

A. That is kind of a hard question. I think we are probably ahead of them in some respects at the moment. We may not have been ahead of them last year.

Q. You are a little vague, aren't you?

Hearing Examiner Kolb: It sounds like a Russian missile argument.

By Mr. Hays:

Q. When did you become equal where you are either equal or ahead of them?

A. I think we are —

Q. When, Doctor, when?

A. Let's see. I would say in the past—I don't know who went first to the use of bins, and for a while the bin development was important, and whoever had that first was ahead.

The handling bins were wonderful until somebody came along with a bulk truck, and the bulk truck was good until we caught up with them there.

Q. Well, when did you catch up with them in these 2677 matters?

A. You mean a specific date?

Q. No, I don't think I am asking for the month and the day and the year, but just tell me the approximate year.

A. Well, I think in about 1947 or '48 we caught up with them or even were ahead of them in handling the garlic. In the handling of garlic, we went to a partial bulk handling and labor saving on onions about '49 or '50.

I think we were equal or up to them then. I think they had bulk hauling in bins or bulk hauling in trucks where one truckload is a unit for a year or so before we had it.

Q. What year was that?

A. We were hauling in bulk in trucks before we were able to receive it in bulk. We were transferring it to bins. So I would say that the bulk hauling would be '50 or '51, something in there. I am not sure of that date.

Q. As of 1951, was there any procurement innovation area in which Basic was the leader over Puccinelli Packing Company, Gentry or the Gentry Division of Consolidated Foods?

A. I would think in the area of raw material they 2678 were ahead of us, yes.

Q. And they are still ahead of you?

A. Yes.

Q. Is that the only area?

A. That is the main important area, yes.

When I say the area of raw material, I mean the control of the seed, the raw material itself.

Q. In other words, they know how to grow better onions than you do?

A. Well, they have better seed and better seed strain and seed variety developments.

Q. Does that make for better onions?

A. Yes.

Q. In other words, they grow better onions than you do?

A. Well, starting with good seed, given comparable treatment, you can do better than if you had seed that would give you lower solids and have less desirable dehydration characteristics.

2679 Q. Well, as a matter of fact do they grow from these seeds better onions than you grow from your seeds?

A. Based on the performance in dehydration, yes. They have a lower shrinkage, higher solids and better dehydration quality.

Normally I don't admit this to our sales department. It is a sensitive area.

Q. Now in your direct examination you testified that Basic—I believe you testified that Basic started emphasizing bacteria count as a selling point, is that correct?

A. Yes.

Q. By bacteria count you mean low bacteria count in the finished product, is that right?

A. Well, yes, you would express it as a low count or establish a specification of a certain maximum bacterial count in the finished dehydrated onion or garlic product.

Q. Was there anything wrong with this?

A. Economically, yes. There is no particular advantage in many areas. It is an arbitrary quality factor which is difficult to meet and completely unnecessary in some cases.

Q. How did it happen that Basic was able to produce a finished product that could meet this bacteria count
2680 specification while Gentry had difficulty with it?

A. Basic has always had a much greater productive capacity than Gentry or anyone else in the industry. Basic has always had, as near as we can tell, the ability to select and set aside lots, choose those of low bacteria counts, and offer them to the trade.

This is a good competitive tool. It is a difficult one for us to meet. It is still a difficult one for us to meet.

Q. In other words, your dehydrated onion and garlic cannot meet these bacteria count specifications that various customers have established, is that right?

A. Well, put it this way: We have difficulty producing enough that meet all of these specifications. We make considerable quantities that do meet these specifications but competitively we are at a disadvantage to Basic in many of these areas in that they are either able to produce more and select and choose from or are better able to produce this.

Q. What causes a high bacteria count in dehydrated onion or garlic?

A. Well, it is, you might say, natural up to a point to the product. The Onion & Garlic Association has recognized this. The technical committee has refused to establish
2681 specifications for it. They have jointly at their recommendation, at the recommendation of the technical committee of the Onion & Garlic Association established a project at the University of California with Dr. Vaughn to collect and prepare data and prepare an article pointing out that these distribution bacteriological specifications are unnecessary for many products, that they are unreasonable; that in the case of onion and garlic there is no sterilizing step, there is no blanching step, there is no heat cooking or heat processing step that normally re-

duces these counts.

This becomes a very powerful competitive tool.

2682 Q. Dr. Prater—

Mr. Hays: Will you read the question back, please?

(The reporter read the question as follows:

"Question: What causes a high bacteria count in dehydrated onion or garlic?")

The Witness: Didn't I answer that?

By Mr. Hays:

Q. You said they had been referred to as natural. I want to know what they are, what factors?

A. They are soil organisms. They are organisms natural to the onion that are natural and present in all growing crops. I can tell you some of the things that they are not.

They are not of the pathogenic type or of what they call the E. Colli type which are the contaminating organisms. E. Colli is the standard contaminant as a measure of pollution or contamination, and there are none of those present in dehydrated onion and garlic.

Q. Now in what areas has Gentry or the Gentry Division of Consolidated Foods been the leader in this dehydrated onion and garlic field?

A. For many years we were the leader in garlic, we had the best quality, we had the largest share of the mar-

2683 ket. We have lost that position. Our products have not deteriorated. We have not spent the time, the money and the effort, we have not built any separate plant to handle garlic. We have not been able to carry out the kind of research and development to keep improving the garlic as fast as competition, as Basic has done.

We led in the development and installation of continuous conveyor dehydrators. This had previously been tried by Basic and abandoned as worthless, and as far as we have been told by the manufacturers, we have made it work and they have since followed.

We have been the leader at least in recent years and

since I have been with Gentry in that we have stressed distributors and in recent years we have stressed distributors very strongly in our selling practice. We were the first to start promoting the particular garlic fraction known as granulated garlic.

We developed the particular kind of jar that is marketed to the institutional use.

Q. Is your answer complete?

A. That is all I can recall right now.

Q. What is involved in this continuous drying method? Is that a totally new method of operation?

A. It was new to us. It is a method that is old.
2684 It involves the use of a metal conveyor and conveyor belts where the product is dried on a continuous process as distinguished from the tray and tunnel techniques commonly in use in the vegetable dehydration industry here.

We did not develop the method, it has been used in many vegetable and fruit plants. We were the first onion and garlic dehydrator domestically to use it. It is used or variations of it are used in foreign countries.

Q. In other words, you put the machinery in your plant, is that correct?

A. Yes, we do through research and development with the manufacturer and installing machinery.

Q. How much expense was involved in shifting over from the method that you previously used to the continuous drying method?

A. Actually we haven't shifted. We are still using all of our old equipment, all of our old tunnels and trays, and this is added equipment.

Q. Did you add it in the same building or a new building?

A. It is in a building immediately adjacent to our old building.

Q. Your old tunnels are still in operation?

2685 A. Yes.

Q. Has Consolidated Foods ever purchased any imported garlic?

A. You mean the Gentry Division?

Q. Yes, sir.

A. Yes.

Q. When?

A. I believe off and on various times. Some amounts—I think our biggest purchase was of powdered garlic about 1953 or 1954.

Mr. Walker: Is your question dehydrated or raw?

Mr. Hays: Dehydrated.

The Witness: Dehydrated.

By Mr. Hays:

Q. That was in 1953 or '54. How much did you purchase then?

A. This would be a sheer guess. I would say it was in the order of more than 10 or 20 thousand pounds. I am not sure. We have bought smaller amounts off and on up until about—that is, of the dehydrated up until 1955.

We paid for one shipment after that. Since I have been in charge we have bought none.

Q. Is the reason that you bought none since you
2686 have been in charge due to the fact that at least in part the foreign dehydrated garlic was of inferior quality to that which you were selling or domestically producing?

A. In part due to that and in part due to the desire to try to have our plants well managed, try to put all the products we sell through our own plants.

Q. Did you sell this imported dehydrated garlic to your customers in 1953 and 1954?

A. I would say that whatever we bought, we either blended, reprocessed or repackaged and sold, yes.

* * *

2687 Chicago, Illinois
February 23, 1961

2688 PROCEEDINGS

* * *

SOL GARVIN was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Sol Garvin.

Q. Where do you live, Mr. Garvin?

A. 2914 Jarvis, Chicago.

Q. What is your occupation, sir?

A. I am secretary-treasurer of Universal Foods Corporation and also the purchasing agent.

Q. In what business is that company engaged?

A. We are manufacturers of food products such as soup bases, gelatin desserts, jellies, syrups.

2689 Q. To what types of customers do you sell those products?

A. I should have added that we make products only for the institutional trade on those items.

Q. Where is the general office of your company located?

A. 3005 West Carroll Avenue, Chicago.

Q. Under what labels are your products sold?

A. They are sold under our labels and also we make private label for many accounts.

Q. Through what channels do you market your products?

A. We have salesmen, brokers.

Q. During what period of time has Universal Foods sold

products to any units of Consolidated Foods Corporation?

A. I believe approximately since 1954.

Q. Are the products sold to Consolidated under your label or their label?

A. No, under their label.

Q. What was the approximate volume of your sales to Consolidated in 1958?

A. About $50,000.00.

Q. About what percentage did that bear to your total sales?

A. Less than 5 per cent.

2690 Q. Do you use dehydrated onion, dehydrated garlic or capsicums?

A. Yes.

Q. Do you use any dehydrated garlic?

A. Yes.

Q. What capsicums do you use?

A. Well, actually we blend, we make a combination of spices that go into the making of the final soup mix.

Q. Perhaps I should have asked the question this way, Mr. Garvin: Do you buy any dehydrated garlic as a separate product?

A. We don't directly buy dehydrated garlic. We have a company that mixes our formulas for us so actually they might be purchasing the product which eventually finds its way into our finished product.

Q. And the same thing is true of the capsicums?

A. Right. We do, however, buy dehydrated onion flakes.

Q. Now in which of your products do you use these dehydrated onion flakes?

A. In an item called French Onion Soup Mix.

Q. From what companies have you purchased your supplies of this dehydrated onion?

A. From Gentry.

2691 Q. Have you bought any other types of dehydrated

onion as a separate product aside from what may be in these mixed seasonings that you mentioned?

A. No.

Q. Would you please describe your duties as secretary-treasurer and purchasing agent?

A. Well, as secretary-treasurer I am the official holder of the records of the company, in charge of the accounting department, and as purchasing agent I have the power to purchase merchandise which we use for our products.

Q. And how long have you held this position of purchasing agent?

A. I have been with the company since 1936.

Q. And you have held this position during that period?

A. Probably twenty of those years, the last twenty years.

Q. Since 1950 who has made the decisions as to your company's source of supply for dehydrated onion?

A. I have made the decisions based upon the findings of our laboratory.

Mr. Walker: This is Respondent's Exhibit 372 which is a tabulation showing the purchases of dehydrated onion by Universal Foods Corporation. The source of the data 2692 is Service Bureau Corporation. It is all Gentry data.

(The document referred to was marked Respondent's Exhibit 372 for identification.)

Mr. Walker: I will now offer Respondent's Exhibit 372 for identification into evidence as Respondent's Exhibit 372.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 372.

(Whereupon, the document referred to, heretofore marked Respondent's Exhibit 372 for identification, was received in evidence.)

By Mr. Walker:

Q. You have testified, Mr. Garvin, that you bought all of your dehydrated onion that you purchase as a separate

product from Gentry, is that right?

A. Right.

Q. Why have you always bought from Gentry?

A. Well, in making any determination on our purchasing of products, we always consider price, quality and service, but before we do that, especially in raw materials we have our own laboratories to test the various products.

If the laboratory comes up with an equal result in,
2693 say, more than one case, then the decision is usually based on whatever would be better, the service, the quality or the price, or a combination thereof. It is on that basis, of course, that we have continued to purchase from Gentry.

Q. Have you tested the products of any of Gentry's competitors?

A. Over the years, yes.

Q. Why have you not purchased any dehydrated onion from any of Gentry's competitors?

A. Because they have not been able to give us better product, price or service.

Q. What accounts for your increased purchases of dehydrated onion from Gentry in 1953 and thereafter?

A. I think it is a combination of things. Actually, as I recall, at one time and maybe to some people even today the word onion seems to be sort of a negative term, but I think the popularity of onion soup in restaurants began to grow after the war, and of course we put on intensive advertising programs to push that particular item.

Q. Now you have testified, Mr. Garvin, that you use, I believe, a mixed seasoning, is that right?

A. It is a combination of seasonings, which make up the base for this onion soup mix. In other words,
2694 it is the seasonings and the onion flakes together that make up this French onion soup mix.

Q. And this mixed seasoning is used in other products

as well as the onion soup?

A. Well, various formulas. In other words, there would be one formula for the French onion soup mix and there may be other formulas for other soup bases.

2695 Q. And I believe you testified that this mixed seasoning includes dehydrated onion, dehydrated garlic and capsicums, and perhaps other items?

A. Yes, fats, oils, things of that sort.

Q. From where do you obtain this mixed seasoning?

A. We have William J. Stange Company prepare our formulas. They have the grinding equipment and the space to do this for us.

Q. Mr. Garvin, Respondent's Exhibit 372 indicates substantially decreased purchases of dehydrated onion in 1957 and 1958.

Could you explain that, please?

A. What we did was this: Freight rate became a very important factor in the cost of this product, that is, the onion flakes, so we would make combination pool car shipments together with another account here in Chicago, namely Thomson & Taylor.

By pooling our shipments together, we would have a resultant lower rate. In order to do that, the billing would go to one or the other, and since in their particular case they were purchasing the greater quantity weightwise, so that to save the freight, the billing would go to them, and they in turn would get the entire shipment, they would call us and we would have a truck pick it up and bring the merchandise to us.

2696 Therefore, apparently Gentry billed them for the entire shipment and we in turn were billed by Thomson & Taylor for our portion of that.

So actually where we might show a decrease of, say roughly 5,000 pounds below 1956 for the year 1957, in

actuality I think we purchased about 16,000 pounds in 1957 and about the same quantity in round figures in 1958.

Q. That is 16,000 pounds including what you received in this pool car with Thomson & Taylor and what is shown on here?

A. Right. You see the breakdown is at 5,000 pounds, and then the higher you go, the lower the freight rate.

We would purchase 5,000 pounds, but actually we would be saving the difference between the rate on, say 20,000 pounds and 5,000 pounds.

Q. Mr. Garvin, we have informed the Hearing Examiner that we have talked with the witnesses prior to their testimony.

Before you were contacted in connection with your appearance as a witness, had you ever talked with anyone about a relationship of any kind between your sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No, sir.

2697 Q. Have you had any kind of a communication on that subject?

A. No.

Q. What effect has the fact that Consolidated is a customer of Universal Foods had on the volume of your purchases of dehydrated onion from Gentry since 1950?

A. Actually no effect because the fact remains that we purchased from Gentry at least eight or nine years before we ever sold — before our company ever sold to Consolidated Foods. So obviously in that particular case there was no connection at all.

Q. And since you have been selling Consolidated Foods, that is, since about 1954, has it had any effect on the volume of your purchases from Gentry?

A. No, sir.

Mr. Walker: Your witness, Mr. Hays.

Mr. von Brand: I would like to take a minute to look at my notes.

Cross Examination

By Mr. von Brand:

Q. Mr. Garvin, you testified that your sales to Consolidated Foods were approximately $50,000.00 in 1958. Does that figure also hold true for the period 1951 to 1957?

A. Well, we didn't start selling them until I think 1954.

2698 Q. I see. What was the approximate figure for 1954?

A. I would say considerably less. It might have started out the first year possibly with only eight or ten thousand dollars worth of sales.

Q. And 1955?

A. 1954 or 1955, whichever was the first year.

Q. How about 1956?

A. It has been on the increase because we started out only selling the Chicago branch and I think that was true for at least a year or two. But over the years our items have found themselves in the various other branches over the nation.

Q. To what branches of Consolidated do you sell now?

A. I believe we sell to most of them. I am not absolutely positive that they are all, but we sell the Minneapolis branch, the San Francisco branch, Jacksonville, in addition to Chicago, Cleveland, I believe, so I think we sell to about six branches besides Chicago.

Q. Six branches of which Consolidated Division, sir? Monarch? Sprague-Warner?

A. I frankly don't know what division they belong to. We sell them — the only label we sell them is what
2699 they use under the Monarch label. Now where it finds itself eventually, I frankly don't know.

Mr. Walker: I can supply that information if you wish. The branches that are mentioned are the wholesale distribution branches, the Monarch Foods wholesale distribution branches in these various cities.

Mr. Von Brand: All right. I will accept that.

By Mr. von Brand:

Q. Now if I understand you correctly, Mr. Garvin, your sales to Consolidated started out with approximately $8,000?

A. Eight or ten thousand dollars.

Q. Eight or ten thousand dollars in the period 1954 or 1955. Now in 1956 what was the increase, if any?

A. It would be somewhere up the line and I don't have the information.

Q. You could not give me an approximation?

A. I couldn't tell you.

Well, I would guess maybe $15,000 then, or $20,000.

Q. And in 1957?

A. I would say it was all leading up to this $50,000, but the exact amount, which years and how much it led 2700 up to, I couldn't tell you.

Q. Could you give me your best estimate?

A. I will say $30,000.

Q. Now if I understand your testimony correctly, Mr. Garvin, dehydrated onion is the only spice which you buy as a separate component, is that correct?

A. Dehydrated onion flakes.

Q. Onion flakes. Do you have an approved list of sources of supply for dehydrated onion?

A. I don't follow what you mean by an approved list.

Q. You stated that the laboratory has to test the dehydrated onion before you purchase it, is that correct, sir?

A. Yes, we do that with all of our products.

Q. On the basis of that do you have a list of approved sources of supply for dehydrated onion?

A. You mean have other companies called on us?

Q. Well, I will get to that later, sir.

In other words, at t[illegible]me is Gentry the only source of onion which you will consider?

A. No.

Q. Then let me get back to the question I was asking: Do you have list of onion suppliers from which you could purchase onions?

A. Well, I know. I know the manufacturers who 2701 manufacture the item, if that is what you mean.

Q. Yes.

A. Yes.

Q. On the basis of your laboratory reports, you keep a list of possible acceptance sources of onion supply?

A. We don't keep a written list. I know the companies involved.

Q. I see. You do these things rather informally, then?

A. Well, informally, yes, to the extent that if we are buying X item, say a carton, for example, to get away from this particular field, and if another company comes in and wants to sell us cartons, we will then consider what better deal, for example, could we get. Could we get a better price, better quality or better service? If that is true, then we consider this other company. If it is not, we see no reason for making a change.

That would be true in this case, too.

Q. Have you ever been approached by Basic or Puccinelli?

A. As I can best recall, I think the last time Basic called upon us was at least two or three years ago. I haven't heard from Puccinelli in I don't know how many years.

2702 Q. From 1951 how many times has Basic called on you, sir?

A. Maybe eight, nine times, I would guess.

Q. About how many times a year would you say?

A. Once.

Q. Once a year?

A. Yes.

Q. About how often does the Gentry representative call on you?

A. Four or five times a year.

Q. From 1951 can you give me the names of the Gentry representatives who have called on you?

A. Dick Chana, the present sales manager in Chicago, and at this moment I can't even think of his name. He called on us prior to Dick Chana.

Marty Kraham I believe was the man that called on us before many years ago. As a matter of fact, the very first man who called and sold us onion flakes on behalf of Gentry is in business for himself. I am trying to think of his name. It is a pretty long name.

I remember his face but I can't remember his name right at the moment. He was the original one.

Those are the people that I specifically remember over the years.

Mr. Walker: Do you want the name? I will be 2703 glad to give you the name.

Mr. von Brand: All right.

Mr. Walker: Mr. Fahrenkamp.

The Witness: Fahrenkamp, yes. He is the fellow who originally sold us onion flakes on behalf of Gentry.

Mr. Walker: And McGill.

The Witness: McGill was the fellow. I couldn't think of his name.

Between him and the present one, the only one I can remember at this point is the name I mentioned, Marty Kraham.

By Mr. von Brand:

Q. Have you ever met a Mr. Farrell?

A. The name is awfully familiar to me. I frankly don't remember.

Q. From 1952 how often has your laboratory tested Basic products?

A. I would guess several times.

Q. Several?

A. Yes.

Q. What do you mean by several?

A. Oh, maybe five, four or five times.

Q. Have you ever asked Basic to submit samples to you for testing?

2704 A. Sure.

Q. Have you ever asked Puccinelli to submit samples to you for testing?

A. I told you I haven't seen anybody from Puccinelli for I don't know how many years.

Q. Then unless a representative of an onion company comes to see you, you will not test his products, is that right, sir?

A. No, unless there is some reason why we are looking to replace our present supplier of an item.

Q. Then I take it you are not interested in a second source of supply for onion?

A. Not necessarily. It so happens that the quantity of onion flakes which we buy, as far as we are concerned, it might mean something to the supplier, but as far as we are concerned it is a very small part of our entire purchasing setup.

As a matter of fact, the onion soup mix in which this product finally finds itself is the smallest item in that particular phase of the line.

Another thing that I failed to mention before was that we require a very large toasted onion flake, an extremely

large one for certain special reasons regarding a particular soup mix which we make. They are not always all able
2705 to supply that particular size to us. That is important as far as we are concerned.

One of the items particularly that Basic called on us about, I remember they had the proper product, but they didn't have the proper size.

Q. What year was that, sir?

A. I would say it is at least three years ago.

Q. And you haven't contacted them since to see if they could supply a proper product?

A. No, not if I am happy with what I am using, and they can't offer me anything better.

• • •

By Mr. von Brand:

Q. Mr. Garvin, when did you first become aware of the fact that Gentry is a division of Consolidated?

A. When there was an announcement in the newspaper.

Q. When was that announcement made to your knowledge?

A. I wouldn't remember the exact year.

Q. Last year, four or five years ago, seven years ago?

A. I would guess about six or seven years ago. This is my guess.

• • •

2708 *Cross Examination*

By Mr. Hays:

Q. Dr. Prater, during the period you worked for Gentry or the predecessor operation, prior to 1951, did that organization sell any dehydrated onion and garlic to Libby, McNeill & Libby?

A. I don't believe they did.

Q. Since 1951, when you have been employed by the Gentry Division of Consolidated Foods have you called upon customers and potential customers for dehydrated onion and garlic?

A. Yes.

Q. Which customers have you called upon, and when did you call upon them; and which potential customers did you call upon, and when did you call upon them?

A. Do you mean all the customers?

Q. Yes, sir. Just give us the ones that you can remember. If you can't remember, you can state for the record that you don't remember.

A. Thomas J. Lipton. This is since 1951?

Q. Yes, sir.

A. Thomas J. Lipton, periodically since 1951. R. T. French Company, periodically since 1951. The customer you named, Libby, McNeill & Libby, I have called on once or twice since 1951, but I have talked also with their
2709 technical men at meetings several times since 1951.

The William J. Stange Company, but I don't know how many times. Several times. The Durkee, and Hunt Foods, and Raphael & Son Company.

Also the Mutual Spice Company, Pepper Products, Atlantic & Pacific, California Packing Company, Griffith and Woolson Company.

Some of these are a few calls, and some are more than a few, which would be true of all of this list.

Armour, Cudahy, and Spice King — no, not Spice King, but the man that introduced our granulated garlic in two-ounce jars, and I will think of that in a moment.

Spice Island, McCormick-Schilling, and practically all of the catsup manufacturers. Heinz, Richmond-Chase, Sexton, and Stokely on the West Coast. I had several discussions with Stokely men in meetings.

The Frank Tea & Spice, and the Forbes Company — I am not sure about the Forbes Company, but I have been at meetings with the Forbes men.

2710 Walker, Austin, Texas; Wolf brand, and several companies in Texas. The J. L. Read Company, General Mills, and General Foods; Pillsbury and the Van Loan Company.

There are an awful lot of customers that I have not called on, or not all of them.

Mr. Walker: I missed the answer.

The Witness: I said there was an awful lot of customers, and an awful lot of potential customers that I haven't called on, not all of them.

By Mr. Hays:

Q. Is that all you can remember?

A. No, I can probably sit here and remember names for quite a while.

Q. How was the selection made as to whether or not you would call upon a customer or would not call upon a customer?

A. Since 1951?

Q. Yes, sir.

A. I would call on those customers, early in this period, where there were technical problems, where there were problems concerning specifications, and I would investigate complaints. I would go in with our salesman often, and I would try to suggest new uses, or help develop new products.

2711 I would often go with the men where companies in the area that I happened to be in at the time, where the men were calling on the companies. There were some companies where I would make a specific attempt to see them in the area for any one of a variety of reasons.

I would also see a lot of these people repeatedly at meetings. It was just in the whole area of trying to sell more of our products.

Q. Is the frequency of your calls increased since 1954?

A. I would say no. They have stayed — they have decreased in the last few months, but that is because I have been tied up with other activities.

Q. When did you become a vice president of Consolidated Foods?

A. The spring of 1957, I believe.

Q. Did you talk with the buyers of the companies that you called upon?

A. Yes, unless prior arrangements had been made to work with the technical people or the production people.

I make it a practice to talk with the buyers or clear through them before any of us would go in to see anybody else in the company.

Q. In 1950, prior to its acquisition by Consolidated
2712 Foods, was Gentry's capacity for the production of dehydrated onion being utilized to maximum capacity?

A. I believe it was, yes.

Q. Was the maximum capacity for dehydrated garlic being utilized at that time?

A. Yes. This maximum capacity is a difficult term to define, but I would say I believe yes.

Q. Now, in 1951, were there any changes in the capacity of Gentry, Incorporated and after the acquisition by Consolidated, the Gentry Division of Consolidated Foods, insofar as dehydrated onion and garlic are concerned?

A. You mean at that time?

Q. During that year, comparing 1951 with 1950.

A. I would say no.

2713 Q. And in 1951 was the dehydrated onion and garlic capacity being utilized to the maximum?

A. Well, the reason I have to qualify this, the maximum capacity depends on the length of time you run your plant, and you can increase the capacity by running it longer, or by going to earlier areas or later areas.

We also run onion and garlic simultaneously. I would say, in general, I believe that in 1950 and 1951 we were utilizing it to capacity.

Q. For the same time period that you were utilizing, when you testified that you are now using the production facilities to maximum capacity?

A. You mean when I testified now, meaning the present?

Q. Yes, sir.

A. I believe we are running a longer season now than we ran then.

Q. How much longer?

A. Let's see. We start the plant now in May, we used to start it in June, late June. I believe we are also bringing more garlic in in the spring, which has affected the spring run, which extends the season.

Q. You are operating today, I mean in the 1960-1961 season, on what kind of a day? Would the plant
2714 operate on an 8-hour day?

A. Well, the 1959—the season just finished, which we would call the 1960 season, we operated during the active dehydration stages, we operated the plant on three shifts a day, seven days a week.

Q. Would that be three 8-shifts?

A. A good portion of the plant, but not all of the plant.

Q. Now, in 1950 were you working on the three-shift basis?

A. Yes, I believe so.

Q. But the dehydrating season was shorter?

A. Yes, I am sure it was.

Q. Now in 1951, were you operating on the three-shift basis?

A. Except for interruptions, I believe that has been standard practice, and I would say yes.

Q. Ever since, or at least since 1950, you have operated on a three-shift basis during the dehydration season?

A. Yes, and in fact ever since I have been with Gentry, except for the period of 1956, 1957, or 1958, when we had a very short season. I am not sure what we were operating then, but normally we run three shifts a day, and we run a shorter period then, or we run a longer period with
2715 two shifts. Particularly this is true in the primary phases, but not in the finishing phases.

Q. Will you describe the dehydration for each of the

years from 1950 to the present, the length of time?

A. Well, if you describe the dehydration season as any time during which we are dehydrating, we start in the spring—

Mr. Walker: You are talking now only about onions and garlic?

Mr. Hays: Yes.

By the Witness:

A. (Continuing) We start in the spring on the Mexican garlic, and that could be from March, April, even into May. We were starting the plant up around June, even sometimes in July, and running to some time before Thanksgiving, and sometimes a little after. As the years have progressed, we have increased the length of this season, and I don't know exactly when or how much we ran in each year on the Mexican garlic during the time, and I don't know for sure that we had Mexican garlic each year. We do have it most years.

We are now running our plant starting in mid-
2716 or a little earlier than mid-May. Last year we ran to December 15 on onion, and into January on garlic.

Q. In other words, is it a fair summary to state that you have increased your dehydration length of time that you were dehydrating onion and garlic in each year, in each of the years from 1950 to the present?

A. I would say that there may be fluctuations, and it may be not a steady increase over all, yes.

Q. What were the fluctuations, and when did they occur?

A. There may have been over-production one year that caused us to cut back the next year. I believe there was over-production in 1953 which caused us to cut back in 1954.

2717 Q. In 1954, you sold that which you over-produced in 1953?

A. Probably, yes, sir. These items are very stable, and

in fact, we discourage characterizing them by crop year, or what year they were produced.

Q. How long do you hold, or normally hold dehydrated onion and garlic before you sell it?

A. The word normally is a difficult one here.

Q. Well, what is the maximum time which you hold it before you sell it?

A. These plants sort of run like a flour mill or petroleum refinery, there is a continuing flow in at one end and a continuing flow out the other end. It is possible, and I know at times we have shipped product the minute it was ready to be shipped; other times, we have held it for, I would say, two or three years.

It has a very good shelf life if it is stored under the proper conditions.

Q. Describe the changes in the factors making for production capacity in the Gentry or Gentry Division of Consolidated Foods for eight years, and each year since 1950 for dehydrated onion and garlic.

The Witness: Would you read that question?

Mr. Walker: Do you understand the question?

The Witness: No.

• • •

2718 By Mr. Hays:

Q. I will reword the question, if you are having trouble.

Have there been any changes in your factors of production of dehydrating onion and garlic, that is, in machinery, equipment, plant space, in any of those factors in any of the years since 1950?

A. Yes.

Q. Will you describe those changes and when they occurred?

A. I don't know that I can give you the exact time they occurred. Changes in the factors which led to in-

2719 creased production?

There have been changes in the raw material supply which have led us to be able to procure onion and garlic in earlier areas to start the plant up earlier.

Mr. Walker: Excuse me, I am sorry to interrupt.

If I understood the question, he only wants equipment and physical changes relating to the production. Is that right, Mr. Hays?

Mr. Hays: Yes.

By The Witness:

A. (continuing) There have been changes in virtually every phase in production, constantly, continuing improvement in every phase, actually, since 1945.

By Mr. Hays:

Q. Will you describe the changes since 1950? Tell us when the changes took place.

A. Well, I am not exactly sure that I can describe them with a 1950 cutoff date.

We have gone from a manual receiving in bags, manual dumping to bins, to bulk storage and bulk handling. This has been a gradual process over the years.

In 1950, I think by then we were in bins, we had gone from bags to bins.

In 1956 or 1957, I think we went from bins to bulk
2720 hauling in trucks and bulk storage.

There have been changes in the washing, screening, sorting, and in fact we just change this about every year. Sometimes we don't increase our efficiency as we had hoped, and sometimes we do.

It seems that every year we change in this area. There have been changes in the coring, the coring capacity, the slicing capacity, and there have been changes in the dehydration capacity.

2721 Q. When did these changes occur?

A. I would say they have been a gradual process, but the biggest changes in dehydration capacity occurred

in 1954, when we added a continuous conveyor dehydrator. Along about that time we acquired that, and we added other equipment to prepare the material to get it ready for dehydration. We also acquired the necessary milling and finishing material and equipment to handle the products. There were improvements in efficiency all along the way in each of these years, and all of the years, as long as I have been with Gentry, to get more products put through your units to increase your efficiency. This also had the net effect of increasing capacity.

In 1958, I think it was, we added another continuous conveyor dehydrator, and along with that all the other necessary preparation and finishing equipment.

Q. That was in 1958?

A. I believe that was in 1958. Yes, I believe that was 1958.

Q. Now, in 1954, when you added this continuous conveyor method, you had to build an addition to the old plant?

A. Yes, we built a building right adjacent to and 2722 behind the old one.

Q. When was the equipment installed?

A. The equipment was installed in the spring of 1954.

Q. And did you use that equipment in the 1954 dehydration season?

A. Yes, we started it during that season.

Q. And this new operation had to be integrated into the other productive methods of the plant, is that correct?

A. Yes.

Q. Did you experience any difficulties in this?

A. I would say we experienced the usual, normal difficulties of starting up new equipment, yes.

Q. Were you operating at capacity in 1954?

A. If memory serves me right, we over-produced in 1953, and had less production in 1954, and that would mean that we had not operated at capacity in 1954.

I might add in this area of productive capacity, my

difficulty of defining it is that we cannot always make every particular fraction or piece that we want to make, so we may be short of something, and in order to make more of that we may end up by making quite a bit more of something that we don't want. So you see, it is a difficult area.

2723 Q. Well, at page 255 of the record you stated: "We are using it up to its maximum capacity." What do you mean when you said "capacity" there?

A. What was the question before that?

Q. Yes. The question was: "To what extent, Dr. Prater, is Gentry currently utilizing its production capacity for dehydrated onion and garlic?"

And the answer was: "We are using it up to its maximum capacity."

Now, what did you understand Mr. Walker to mean in his question when he used the word "capacity," and what did you intend for it to mean when you answered and used the word "capacity"?

A. Would you read that again, please, Mr. Hays?

Q. I will show you the record (handing document to the witness).

A. I am sorry, I thought you said page 255, and I thought it was older testimony.

We are using it up to its maximum—well, now, you have me confused. You were talking about 1953 and 1954.

Q. I just want to know how you understood the meaning of the word capacity. You didn't have any trouble understanding it on direct examination, but on cross examination you are telling me all the difficulties and all the dif-

2724 ferent meanings that capacity may have.

Now, in order to get the record straight, I want to know what you meant when you used the word capacity at page 2550 of the record.

Mr. Walker: For the record, you are overstating your case a little, and more than a little. All he said was that

capacity is difficult to define, and said there are factors that enter into that area of capacity.

By Mr. Hays:

Q. I just want to know how you defined it yesterday.

2725 A. My definition of capacity, a plant of this type, the production can be taken on a daily basis, a shift basis, or a yearly basis.

The answer to this question, and I believe the discussion we are having here relates to annual capacity. My definition of that would be the amount you could economically and properly put through the unit with the availability of economical and proper raw material to put out a good quality product without incurring exorbitant costs.

The difficulty is that if you were long or short on inventory, you would then re-evaluate your cost factors. If you are short of inventory, you are willing to pay more for raw materials and have a longer season; whereas, if you are long on inventory, you have a tendency to contract.

In this case, there was a long inventory position, I believe, in 1953.

Q. So you didn't produce to capacity in 1954?

A. I would say we produced to the capacity of the units during the time we ran it, but we probably did not run as long, we probably curtailed that year, which had the effect of saving some money on freight, as I recall.

Q. You cut back on your onion supply for 1954?

2726 A. I believe that was the year, yes.

Q. Who are the principal spice repackers that have had an expanded usage in recent years?

A. Principal spice repackers who have expanded usage in the past few years? That is Durkee, Spice Island, French, McCormick-Schilling, and Albert Ehlers, McLaughlin Gormley King, Wilson & Company, Frank Tea & Spice, Stickney & Poor, J & L Slague Company, Wixon. I am sure there are more.

Q. Which of these that you have named has such a large usage that you expect they are seriously considering entering into the production of dehydrated onion and garlic?

A. I expect that the R. T. French Company, Durkee Division of Glidden, and McCormick are all seriously, or could seriously consider getting into it.

Q. What is the basis for your opinion that they are seriously considering entering into it?

A. Both the R. T. French and Durkee, individuals in those companies, told me at the time of the acquisition of Gentry by Consolidated that they were sorry that they had not known of us, that they were interested.

They indicated unofficially to me that they are still interested in this field. We have heard rumors and we have reason to believe there is substance to them that Mc-
2727 Cormick-Schilling is about to acquire an interest in an onion and garlic dehydration plant.

Q. What plant is that?

A. The Gilroy Foods.

Q. That is the new entry, the Gilroy Foods?

A. Yes, they have been in about two years now.

Q. In Respondent's Exhibit 207, Doctor, you were referring to Gentry as a leader.

Now, were you referring to them as a leader in only the dehydrated garlic field?

A. Yes.

Q. Those statements on Respondent's Exhibit 207 do not apply to dehydrated onion?

A. The memorandum, the exhibit is headed garlic, and it says particularly granulated. The whole discussion is concerning garlic, and that was relating entirely to garlic.

Q. Was Gentry, Incorporated or its predecessor corporation ever considered the leader insofar as dehydrated onion is concerned?

A. I believe our sales department has probably claimed that or said that we were the leader, but I never considered us so, and I don't believe we are considered so or have been in the trade.

Q. Why did Gentry, Incorporated in 1950 move its
2728 facilities from Los Angeles back to Oxnard at a substantial cost from $100,000.00 or $150,000.00?

A. Actually, we didn't move back to Oxnard. We moved to Oxnard.

The plant where the primary processing was taking place was in Oxnard, and we were then transporting the semi-finished material to Los Angeles in a separate plant that processes it further, and then shipping it. It was only good economic sense to do it all in one plant, for labor saving, shipping saving, and avoid double handling.

2729 Q. When was the move completed?

A. Sometime during 1950. The preparation for this probably had started in 1949.

Q. Why did the sale of oleoresin and paprika drop sharply in 1958?

A. That was either the year we were going out of the business, or that was the year, I believe, that was the year we were going out of business. It may have been the year there was increased competition and lowered prices that made us curtail production.

Q. You voluntarily ceased production on oleoresin paprika?

A. Well, we didn't feel we could produce and sell it profitably, so we stopped the operation.

Q. Yesterday on direct examination you described with some particularity the grower contracts and the type of contracts that Gentry and Gentry Division of Consolidated Foods uses and did use.

Isn't that type of contract common throughout the dehydration industry, the dehydrated onion and garlic industry?

A. Yes.

Q. Isn't that type of procedure used generally by your competitors, Basic and Puccinelli?

A. Yes.

2730 Q. Why did Gentry, Incorporated, in 1949 embark upon a program of seeking every possible customer, large or small?

A. We wanted to increase our sales, we wanted to be more competitive, to get more business. This seemed like a good way to do it.

Q. Did it turn out that this was good or that was an efficient method of operation?

A. In my opinion it was a very good way to find out where the customers were. We picked up a lot of customers that we didn't keep; we picked up some that we didn't want; we gained a lot of very valuable customers. I would say it turned out—in balance, this was a good operation.

Q. Now, when did you convert from this program of serving each customer to the distributorship method of doing business?

A. This was not an arbitrary, immediate decision that happened at any one time. Ever since I have been with Gentry we have used distributors.

In 1954, and somewhat more in 1955, we took a very critical look at the cost of doing business, the cost of handling each type of customer, the cost of handling all the various products we were putting out. We decided
2731 some of the products we should not pack, and we decided some orders we should not take, and in so far as possible we tried to funnel every order, every bit of business we could through the distributors. The active phase of this was in 1954 and 1955. We have always used distributors.

Q. Now, this emphasis on distributors, did you turn over the business to distributors that you already had, or

Did you get new distributors for this business?

A. We did both.

Q. Now, what new distributors did you get to handle this small business, or the small customer accounts?

A. I have a list here.

Q. Refer to it, if you like.

A. Well, we used the Chili Products Corporation in 1954. We added Antrim & Sons, but I am not sure when we added them. I am not sure when we added the Milwaukee Spice Mills. Some of the customers had been customers or partial distributors, but not in the way where we had actually worked through them.

Q. Which of those did you become more active in, and which of those did you take on as new distributors?

A. I don't know that I have a list of the dates when we acquired the distributors.

2732 Q. Respondent's Exhibit 205-A and -B indicates Gentry's distributors as of December 31, 1958. There is an asterisk beside certain of these named distributors which indicates that they first became a Gentry distributor after April of 1951. In so far as those named distributors appear on Exhibit 205-A and -B are concerned, where there is no asterisk, does that mean that they have been continual distributors for Consolidated Foods during the period April, 1951, to December 31, 1958?

* * *

2734 A. The question is, have these been continuously distributors of Gentry during this time period?

By Mr. Hays:

Q. Yes, sir.

A. The answer to that would be yes, qualified by the fact this is a very difficult area.

I see, for example, Stange listed here. Stange may be a distributor for a short while and then disappear com-

pletely from the picture for a while. Many of these are distributors who will be distributors and then do practically nothing, and then come back in the picture.

I would not say these are all distributors who have been distributors active in all this time, in all this period.

Q. Now, which of those have been active since you started emphasizing the distributorship method of handling the smaller accounts?

A. Well, I would say, starting on 205-A—this is an estimate, in a sense, because I am not sure of this area. The B. Heller & Company, this is a distributor that has been active since the period, in 1954 and 1955 when we were funneling small orders through the distributors.

Do you mean those distributors?

2735 Q. Yes.

A. Well, that would be B. Heller & Company, the Baltimore Spice Company, the C. F. Sauer & Company.

I believe the Con Yeager Company, Crescent, Dottleys Advertising and Merchandise Mart—I don't know about that.

Then the Harris Spice Company, the Raphael & Son, Inc., the Jaudon Spice. I am not sure of Jaudon, but I believe Jaudon Spice would qualify.

Kearns & Smith, the McClintock-Stern, and the McLaughlin Gormley King. Then the Mexican Chili Supply Company, the Milwaukee Spice Mills, although I understand we have now lost them, the Milwaukee Spice Mills to the Gilroy Foods.

The Morris Wholesale. In fact, I believe all of them on this list either are, or at one time or another the rest of them have been active.

2736 Then we will go back to the other list, Respondent's Exhibit No. 205-B.

I believe the Butcher & Packer Supply Company, the Chili Products, very briefly; Frank Tea & Spice, Lauden-

slager, Pauli, the Hoger Corporation. In fact, all the rest of them, including the Tone Brothers, Van Loan and Griffith.

Q. Now, all these that you have named are indicated, you say they became increasingly active since you went into the distributorship method of dealing in 1954 or 1955?

A. No, all of them have served, and we have tried to get them to become increasingly active. Some of them have, and some haven't.

Q. Don't each of these companies have storage space, or warehouse space?

A. I believe most of them do, yes.

Q. How does their storage or warehouse space differ from the public warehouse space?

A. Well, if you mean in a business way, or a physical way—

Q. Yes, a business way.

A. In a business sense, the public warehouse is a legal entity that you deal with, that you ship to, and they
2737 keep warehouse records; they bill you and you pay or they pay your bills and perform services for you.

The distributors, generally and in practically every case, with distributors this is a sale. It is a purchase that they make, you put it in their place of business, and they do with it what they will.

It is their merchandise.

Q. They keep it there and store it until they sell it, is that correct?

A. Yes; in general, yes. There may be a few consignment situations where it is a little bit in between.

Q. Now, isn't it customary for your distributors, or hasn't it been customary for your distributors to maintain stocks of dehydrated onion and garlic on their premises?

A. Yes, we would very much want them to.

Q. That makes for quick delivery, does it not?

A. Yes, sir.

• • •

By Mr. Hays:

2738 Q. Dr. Prater, it is these distributors that we have just been talking about that you referred to as being a partner with Gentry Division of Consolidated Foods in the solicitation and sales of dehydrated onion and garlic?

A. I believe those are the ones, or the sales manager likes to characterize them as partners.

Q. Since the distributorship method has been a part of your method of doing business, it has been the distributor who has solicited the small account and serviced that account, with the help of your salesmen from time to time, is that correct?

A. Yes, except, as I said before, we have always had distributors ever since I have been with Gentry. We are using them more actively now, trying to stimulate the distributor to call on the accounts more actively, both by his men, and oftentimes with our men.

2739 Q. In 1954, wasn't there a shortage of fresh onion which could be used for hydration purposes?

A. As I recall, in 1952 there was a shortage of finished product. I believe we all under-contracted, under-estimated. In 1953 I believe we over-compensated. There was a surplus. In 1954 I believe was the year that we cut back and, in fact, the cut-back was later than we liked to. We cut back at a period when the contracting was already under way. We cut back in the late acreages only.

Q. So was there a shortage of fresh onion in 1954 for dehydration purposes?

A. I don't believe there was that year, sir.

Q. There was a shortage of those you had contracted in 1954?

A. Well, as I said, I believe that in 1954 we deliberately

cut back on our contracting to compensate for what we were afraid was going to be a long inventory position, and this was done at a time when we already had contracted in the early and in the mid range maturing areas. The cut-back hit mainly in the late areas because we already had signed the other contracts.

I believe this was effective in the 1954 crop.

2740 Q. Does Basic use the fresh garlic that you suspect it imports from Italy to make into dehydrated garlic?

A. I believe they have imported from Italy and possibly other sources for dehydration, yes.

Q. Does Basic deal in fresh garlic sales?

A. Basic or one of their subsidiaries, of which I think they have two or three, have dealt and I believe do deal in fresh garlic or raw garlic and raw onion sales.

Q. Was this garlic that was imported from Italy, that you suspected Basic imported from Italy, was that imported by Basic or was it imported by the subsidiary that deals in fresh garlic?

A. We know that Mr.—I believe is was Mr. Porter, an official of Basic and an official of, I guess, one or two of these other subsidiaries, was in Italy trying to buy garlic. I don't know who imported it. I don't know what the corporate set-up would be.

2741 Q. Do you know whether it was sold as raw garlic by Basic or its subsidiary or do you know whether it was dehydrated by Basic and sold?

A. I do not know for a fact. I would believe that it would be purchased for dehydration.

Q. What is the basis of that belief?

A. I believe that Basic sells raw onion and raw garlic when they have a market that is right when they have the particular product available.

I don't believe there are enough produce merchants that

would put enough emphasis on that that they would go to Italy to buy garlic to sell on the raw market.

Q. That is the basis of your belief?

A. Yes.

Q. And not enough produce merchants would emphasize it?

A. Sir?

Q. The basis of your belief is that there are not enough produce merchants who would emphasize raw garlic for Basic to go to Italy to buy it?

A. Well, I am a little confused. I don't believe that Basic in their operations as a company emphasize the produce part of their business to the extent that they would go to Italy, Basic or its affiliates, to buy raw garlic and
2742 ship it to this country to sell as raw garlic. I believe they would go there for a source for dehydration just as we have done.

Q. Isn't it customary for the Gentry Division of Consolidated Foods to advance money or credit to its growers for the purchase of seeds, machinery, equipment, fertilizer and the like?

A. You say is it or isn't it?

Q. Is it?

A. Is it customary?

Q. Yes.

A. As a general rule, no.

Q. Is it done to any extent at all?

A. Yes, to a certain extent we supply seed and in some cases I believe take payment of that seed from the first deliveries of the crops to us.

We do this on the chili pepper and paprika. We do it on onion. I believe we do it on garlic. We also contract for garlic under a type of contract where we supply the so-called garlic seed. We assist or even in some cases carry out part of the planting operations, and the price that we

give the grower under the terms of the contract for the finished garlic, for the garlic he delivers to us, is lower because of this assistance we have given.

And so indirectly the grower pays us back. It is
2743 not a cash transaction, but we get cheaper merchandise.

This is an innovation which has taken place in the last few years. It has been important in helping expand the growing areas of garlic to greater areas.

Q. This method does involve the extension of credit, then, does it not?

A. It involves the investment by the processor in the crop in the early stages.

Q. And it takes a crop about six months to grow?

A. Let's see. Garlic, yes, six months or so.

Q. And onions six months?

A. Early onions would be planted in the middle fall and would be harvested in the spring. Late onions would be planted in the early spring and harvested in the late fall.

Q. How much money did this involve in 1958?

A. Pardon me?

Q. How much money has been involved in this type of thing for the year 1958?

A. I don't know. In this practice we were about a year late in starting, but Basic started this practice of planting the garlic, buying it at a cheaper price, supplying the planting equipment and helping get the garlic in the ground.

They started it and we followed them. We were about
2744 a year later, I believe, in doing it.

Whether this was done in '57 or '58, right in there, I don't know. I don't know how much. A good share of our garlic is now contracted in this fashion. This is particularly helpful in bringing new growers and new areas. It is not used nearly as much in the older growers in the older areas.

Q. Is it used for onion growers, too?

A. In onion you have a different situation in that you have a seed in the true sense of the word. I believe that all of us supply the seed or advance the seed. I don't know whether we bill them immediately in every case or whether we take it out of the first deliveries.

In chili your practice is to supply the seed, take the actual dollars out at the time of first deliveries. In garlic you have a different situation in that instead of having a true seed you have a clove, what we call a garlic seed. What we call a garlic seed is actually a clove.

You take a bulb of garlic and break it, and the individual clove is what we call the seed.

This means that the investment in seed and labor of planting an acre of garlic is higher than onion.

In an effort to get more growing areas and expand
2745 garlic away from areas that have been reasonably well farmed out, Basic started this other practice of supplying the seed, supplying the planting machine, and contracting at a substantially lower price per pound delivered of the garlic.

We were aware of it after they were well into it, I believe, in a major way, and were about a year later before we started in it.

Q. How much money was involved in 1958 in connection with this type of operation insofar as the Gentry Division of Consolidated Foods was concerned?

A. I don't know. It was certainly several thousand dollars. I don't think I have ever seen figures set up that way.

In terms of cost of raw material, it dropped the per pound price of raw material down two or three cents a pound.

2746 Q. But it did require the expenditure of capital and investment for which there was no return until the crop came in?

A. Yes. We had to supply the garlic cloves, we had to have equipment — usually I believe the grower uses his own labor on the equipment and the planting machine.

Q. From what manufacturer did you seek to obtain some milling equipment that allegedly was granted exclusively to Basic?

A. A company by the name of Meig.

Q. When did you attempt to obtain that equipment?

A. I believe in 1958. It could have been — let's see, it could have been in 1959. I believe it was 1958.

Q. Were you told anything else except that Basic had an exclusive right to it?

A. This is a company whose office and factory is in either Switzerland or Germany. They have a test laboratory and an office in Minnesota. We were interested in some equipment. This man said that, "We are unable to sell you any of this for use on garlic. We have an exclusive contract with Basic. We cannot talk to you about the use of this equipment on garlic."

2747 It is my understanding that the complete milling, mill room, finishing set-up at Basic's new King City plant was designed and manufactured by these people.

Q. Have you been able to obtain comparable types of equipment from other sources?

A. We have bought one or two pieces of equipment from Meig that we are using on onion.

Q. Have you been able to obtain comparable types of equipment for garlic?

A. I would say that probably the answer to that would be yes. I am not sure.

Q. Do you have some customers that you sell to exclusively and therefore you don't believe in this two-supplier argument, or don't you use it?

A. I hope we have — sometimes we think we have and often it turns out that we don't have them as exclusively

as we think we have. I believe I heard a gentleman today say that we were his exclusive supplier.

Q. How long did it take to install a continuous convery [sic] hydrator, sir?

A. The actual time of installation?

Q. Yes.

A. I would say a matter of several weeks or a few
2748 months.

Q. How much time was involved in building the addition in which the continuous convey dehydrators were placed?

A. This took longer than it should. We got caught with a very bad rainy season that interrupted the work.

Q. About how long did it take?

A. Well, actual construction was preceded by the draftsman's work. Actual construction shouldn't have taken over three weeks or a month. I believe it took two months or two and a half months. We got caught with a very bad rainy season just as we were pouring the foundations.

Q. Will you describe specifically the sampling test of putting dehydrated onion or garlic in water and then seeing how long it took for a person to cry after this had been done?

A. You say will I describe it?

Q. Yes.

A. To carry it out properly you should take it under very carefully standardized conditions, using a standard container. If it were in a laboratory, you would take a
small beaker. You would take a measured amount of
2749 water at a constant temperature. You would add to that a measured amount of powdered onion or powdered garlic. You would stir it under standard conditions and you would time it and keep testing it against your eye, holding it up to your eye or your eye down to it

to see if you could get the lachromator.

2750 Q. If one sample caused crying quicker than another sample, what would that indicate?

A. If this were adequately and accurately controlled, which is a very difficult thing to do, even in the best laboratories, it would indicate that there was more of a tearer principle, a volatile principle which would cause you to tear.

Unfortunately this is a test which is a very susceptible test to slight changes in the temperature of the water, timing, fineness of the grind, and we do not use it. We think it is a very bad test for salesmen to use.

It is capable of slanting any way you want to. You can mix your sample, you can take a finer grind of yours as compared to a competitor's, you can take a coarser grind, you can mix one first and then the other, and as a sales tool, to come into a room like this or into the average test place, we think it is strictly a gimmick and very unreliable.

Q. There is nothing wrong with the test itself?

A. There is nothing wrong with the test itself if it is carried out properly under proper conditions and fairly controlled. We have never found a way of doing this carefully enough even in our own laboratory. We would

2751 not turn this over to our salesmen because that is like telling the salesman to go out and get in a ring and put boxing gloves on him and tie his hands behind his back. It is just a naturally born gimmick for a salesman to use unfairly.

Q. Don't your brokers have warehouses?

A. A broker as we understand him to be, a broker acts on a commission basis only and to the best of my knowledge the broker does not have a warehouse. We may have a distributor who has the word "broker" or "brokerage" in his name. I believe Nelson Brokerage Company is a distributor, but we would not call him a broker.

Q. The dehydrated onion and dehydrated garlic that was

sold through brokers was sold with your label on it, wasn't it?

A. Probably. Well, both yes and know [sic].

A broker would make a sale of our products just as our direct salesman would. He might sell a private label house, he might sell somebody who wanted a label, or he might sell it under our label.

Q. When did you lose Tone Brothers as a distributor?

A. I believe — well, this has been an off-and-on process. I think we lost him on onion and garlic and kept him for a while on capsicum products. I think we lost him on
2752 onion and garlic in '55, '56, '57, along in there. I think we lost him on capsicum products since then.

Q. He was your distributor from what period? Since 1951 to 1955?

A. I would have to check the record on that.

Q. When you lost Tone Brothers on onion and garlic, how was he replaced by your company if he was replaced?

A. As I recall, we then intensified our sales efforts and just had our salesmen call on that area more frequently.

I don't believe we made an actual replacement of a distributor in that area.

Q. You started selling his customers direct then by your salesmen?

A. Well, actually we probably had turned over some of our customers to him and then we again started selling them direct. I might add that one of the reasons we very carefully try to call on the distributors' customers is so that we are aware of where our merchandise is going and also aware that orders we turn over to him are filled with Gentry merchandise and not something else, and in the event he decides to part company with us, we want to be aware of where our customers are and if they are the size and type we want, we could call on them and sell them directly.

2753 Q. Did you lose any large customers because Tone Brothers ceased to be your distributor?

A. I know that we were quite unhappy over it and I believe we did. They are in Des Moines, Iowa — Tone Brothers are in Iowa. I could not be sure on that, sir.

2754 Q. In any event, when these distributors were lost which you testified you lost, you still knew the customers they sold and you intensified your sales effort to retain that business, is that correct?

A. We knew to the best of our knowledge, we tried to keep aware of the customers they sold and we tried to retain all of the business. We didn't know all of his customers, we didn't try to retain the little business.

Q. You did retain substantial business of this business when you lost these distributors, though, didn't you?

A. I would say that whenever we lost a distributor, we lost business in that area. We don't lose all of it. Sometimes there are personal loyalties involved. Sometimes we may think of a customer as our customer when actually they are a customer of a distributor who will stay loyal to the distributor on a friendship basis.

Q. Which company first started manufacturing instant dehydrated onion?

A. This is a question of labeling. The American Dehydrated Onion and Garlic Association carries on quite an extensive promotion campaign and in an effort to pro-

2755 mote this as an industry, we picked on the word or the name "instant." This name was applied to some products which had been in existence for a long time. Instant onion powder today is no more nor no less instant than it was ten or twenty years ago. Ironically enough I learned later that the name "Instant" had been suggested by one of our men many years ago, long before there even was an association.

Q. I am referring to the instant onion product which

is for the retail trade.

A. The one you are probably referring to is the instant minced onion which I believe is the one being sold in the largest amounts.

Q. By Durkee, French, Spice Island?

A. Yes, although there is a certain sale of a larger fraction of a chopped onion or instant chopped onion, probably larger than instant minced onion. Instant minced onion is the major one.

Q. Which company first got into this instant minced onion for the retail trade?

A. Instant minced onion is an improvement or a little better quality product over what we used to call minced onion. It is an item which has been made and used and sold for many years to the manufacturing trade. The promotion of this to the retail trade, its real start came when the 2756 association conducted a market survey and a preference survey and out of this it was recommended that the size, the fraction, the type of product that would be best promoted would be the instant minced onion, and I would say that about that time all of us tried to promote this as fast as we could.

Q. Now when did this occur?

A. '56, '57, somewhere along in there.

Q. Isn't this instant minced onion sold through Consolidated Grocers and the other subsidiaries of Consolidated Foods?

A. I don't know. We pack a—I believe it is a 3-pound No. 10 tin of instant minced onion that we sell to any institutional user. We sell instant minced onion to the spice houses. In so far as instant minced onion packed by Durkee, sold by Consolidated, I would say that probably Gentry's sold by Consolidated. I don't believe that we sell them any directly that go under the Consolidated label.

Q. Wouldn't increased advertising, consumer advertis-

ing, help the sale of instant minced onion for the retail trade?

Mr. Walker: Advertising by whom?

Mr. Hays: By Consolidated.

2757 Mr. Walker: By Consolidated or the Gentry Division, or do you mean to cover both?

Mr. Hays: Either one.

The Witness: Well, it wouldn't help. Advertising for Gentry would not help since we do not have the Gentry name at the retail level. Advertising by Consolidated, I don't even know if they have a retail pack. They do not have national distribution. They have spotty distribution. It would hurt Gentry in its relations with many of our customers if Consolidated were to advertise.

By Mr. Hays:

Q. I mean advertise the product without indicating that it was Gentry onions.

Mr. Walker: I am sorry, Mr. Hays, if Dr. Prater understands, he is perfectly free to answer, but I don't understand what the question is directed at. Advertises a product which has what name on it? The Monarch name, Consolidated name, Durkee name, the Gentry name, or just instant minced onion without any brand name?

By Mr. Hays:

Q. Instant minced onion without any brand name.

A. Well, would you state the question again, then?

Q. Wouldn't advertising by Consolidated Foods or advertising expenditures looking to acquainting the pub-

2758 lic with the virtues of instant minced onion, wouldn't that help to increase sales of that product?

A. It might in areas where they had distribution. I don't know of any area where Consolidated would have distribution of this particular product. There are many areas where Consolidated has no distribution of any products.

2759 Q. If you created a preference in the public mind for minced onion, instant minced onion, wouldn't that help Gentry sales with or without regard as to what channel it went to the public?

A. A good share of the budget of the American Onion & Garlic Association is put towards publicity, promotion, and it is strictly designed to encourage the sale of instant minced onion through the repackers, through people generally, anything that would contribute to that, would contribute to the sale of instant minced onion.

Q. There are a number of other companies other than the Heinz Company that have nationwide distribution, isn't that true?

A. Of food products generally?

Q. Yes, sir.

A. Yes.

Q. Has there been any reason why Gentry, Incorporated could not have utilized a nationwide distributor for the distribution of No. 10 tins of dehydrated onion?

A. The only reason I know of is we tried and tried and looked and looked, and never could find anybody that would take them on or could take them on on nationwide distribution.

Q. Could you find some that could?

2760 A. In the No. 10 tins, we never have been able to find anybody who could or would take on the distribution on a nationwide basis.

Q. In other words, the Heinz Company is the only company that is set up to distribute No. 10 tins of dehydrated onion on a nationwide basis?

A. Insofar as I am aware, they were the leader. They are the only one I know of that has this type of nationwide distribution and that will take on and handle it.

This is not only the product but also the type of distribution, the institutional distribution, and we know of no com-

pany of like stature or type that we could connect up with to do this on No. 10 tins.

Q. Are there other companies that have a similar type of distribution but who will not take on dehydrated onions?

A. Well, I believe that there are lots of companies. I believe General Foods has a nationwide institutional system. They have not been interested in taking on this product nationwide.

There are other companies who advertise nationally but do not have national distribution. Some of those have distributed our onions.

We have many companies who have local distribu-
2761 tion. We looked and have been looking very hard for many years to find a company with whom we could make an arrangement to be competitive in the distribution field in No. 10 tins. To date we have not found one.

Q. Aren't there a number of companies combined together — strike that.

Couldn't a number of regional companies combined together give you the same type of distribution that the Heinz Company could?

A. What do you mean by "regional companies," sir?

Q. The ones that sell less than nationwide.

A. You mean independent companies?

Q. Yes, sir.

A. Well, we have tried to line up as many local or more than local distributors as we can and we have lined up some and partially met this competition this way. Heinz on the other hand has a complete line of many products. It is well known. It is a very fine company, it has very good quality products, it is very well accepted. It has warehouses all over the United States, and as far as I know, they completely cover the country.

I don't think we have ever found any combination of certain companies that would effectively compete in all areas.

2762 Q. Did Gentry, Incorporated compete with Basic to get Heinz to take on this distribution?

A. To the best of my knowledge the first we knew of this was when we saw a copy of a letter written by Mr. Hume in 1946, I believe it was, announcing that they had taken on this distribution.

2763 Q. In 1954 what customers did you learn that Basic was selling f.o.b. destination to?

A. I don't know whether I can answer that. Was there a name on that exhibit?

Q. In 1954 was it your policy that whenever you could verify the fact that Basic was selling to a customer f.o.b destination, you would meet that by selling to all of your customers in that area on an f.o.b. destination basis?

A. This business of verifying pricing, verifying a competitive practice, if it was at variance with what their published price list showed is a very troublesome area.

We do not like to lower prices or meet competitive practices unless we have to. I do not know whether in 1954 we would have met this in every instance or just those instances called to our attention. I believe earlier we would have met it only when we had to.

Q. When you met it you would meet it in the whole area, is that right?

A. I believe we met it in the instance of the particular companies involved, and then I believe it was our opinion that it had gotten to a point where we should just establish it as a nationwide practice.

2764 Q. I show you Respondent's Exhibit 210, the second paragraph, and I ask you if that second paragraph accurately reflects what the f.o.b. destination pricing practice was in 1954 on the part of the Gentry Division of Consolidated Foods?

A. I am not sure. I presume that when Mr. Pettit wrote this, he believed this reflected the policy. In the one just

before here from Marty Kraham, it says:

"Naturally we will meet this situation whenever we see it in evidence."

Mr. Pettit says:

"We will not make it a general policy."

He did say:

"You may meet such competition."

Q. In the whole area?

A. No, I wouldn't say that. I would say meet competition whenever you find this practice being made use of by Basic, and this should be verified. You may make such—yes, then he goes on to say:

"So we will not be showing partiality over the same proposition on other accounts in the same classification of business in the same area—"

I would say that this would indicate yes, we were offering it in that area.

Q. Then in 1955 you went to f.o.b. destination pric-
2765 ing for the whole United States, is that right?

A. We put out a price list showing on the price list "nationwide."

Q. When you went to f.o.b. destination pricing on a nationwide basis, was the Basic Vegetable Products Company pricing on an f.o.b. destination price on a nationwide basis immediately prior thereto?

A. This I don't know. We have tried to have a policy that if we have to meet competitive practices and alter our price structure, that we will print it on our price list and make it a policy rather than having a printed list with a lot of exceptions or variations.

I don't know, sir, the answer to your question about Basic.

Q. On direct examination you testified that you had in your opinion lost business in recent years because of the purchases of imported dehydrated onion and garlic. Basic

and Puccinelli have also lost business in your opinion, have they not, for the same reason?

A. Well, I have no documentary basis. From our own company, it would be my opinion that they had lost it, yes, sir.

Q. In other words, this imported dehydrated onion and garlic is impinging on the whole industry, not just your company?

2766 A. That is the expressed opinion of the whole industry and was discussed at, I think, the January 14th ADOGA meeting, the impact of the imported dehydrated onion and garlic.

Q. Now these companies that make mixed seasonings, they purchase dehydrated onion and garlic from your company, some of them, don't they?

A. Sometimes, you say?

Q. Don't these manufacturers of mixed seasonings purchase the dehydrated onion and garlic that goes into this seasoning from your company?

A. Sometimes they do, yes.

2767 Q. The manufacturers of mixed seasonings do not dehydrate onion or garlic, do they?

A. One of them, Stange, either owns a Mexican venture or is the selling agent or is connected with it in such a way that I would say they manufacture their own dehydrated onion and garlic in Mexico and import it and put it in their own seasoning mixes.

Mr. Walker: So that there will be no inaccuracy on the record, and I don't know the answers to these questions, that company will be testifying, so you can get the facts on that, Mr. Hays.

By Mr. Hays:

Q. How many plants does Gentry now have?

A. Two.

Q. Where are they located?

A. Oxnard, California, and Gilroy, California.

Q. You have testified to certain changes in the production facilities of a plant. Was that the plant at Gilroy?

A. I am not sure, sir.

Q. I mean the continuous dehydrator addition to the plant, that was the plant at Gilroy?

A. Yes, sir.

Q. Have there been any additions or changes in the Oxnard plant?

2768 A. Have there been any additions or changes at the Oxnard plant? There have been additions and changes at the Oxnard plant almost every year since we first opened, sir.

Q. And when was it opened?

A. 1946.

Q. And that also dehydrates onion and garlic?

A. Oxnard?

Q. Yes.

A. No, sir.

Q. It does not?

A. No.

Q. Has it since 1951?

A. Has the Oxnard plant dehydrated onion and garlic since 1951? No.

Q. Since Gentry has become a part of Consolidated Foods, have its sales efforts increased?

A. I will say that we would like to think our sales efforts increase every year, and we have in the past ten years increased our sales efforts, yes.

Q. Have your sales efforts since Gentry has become a part of Consolidated Foods improved?

A. I would say that our men are better educated, better trained; I think we have learned more about our prod-

2769 ucts, and I would say that in general, yes, we have improved.

Q. Since Gentry became a part of Consolidated Foods, did it improve its procurement practices?

A. As I have testified several times, there have been improvements in this area ever since I have been with Gentry in 1945.

Q. Doesn't a division of Consolidated Foods have a warehouse in Baltimore, Maryland?

A. I don't know, sir.

Mr. Walker: We will stipulate that they do, if you want us to, Mr. Hays.

Hearing Examiner Kolb: You mean Gentry or Consolidated Foods?

Mr. Hays: Consolidated Foods.

The Witness: Well, Gentry Division uses or did use Ruckert Terminal Warehouse there as a public warehouse.

By Mr. Hays:

Q. Do you know where any of the warehouse facilities of Consolidated Foods are located?

A. Yes.

Q. Do you know where they all are located?

A. No, sir.

Q. On direct examination you testified that about $20,000 have been spent upon advertising. Was that advertis-
2770 ing expenditure the only type of promotion that Gentry Division of Consolidated Foods engaged in since 1950?

A. I would say that we engaged in promotion in a variety of ways. We do very little advertising in the sense of placing advertisements. I believe that figure covered all of the promotion expenditures that we would insolate [sic] and put in that account on our books as promotion.

Q. That covers everything?

A. In so far as I am aware, yes.

Mr. Walker: For that year.

Mr. Hays: For that one year, yes, whichever year it was.

The Witness: Yes.

By Mr. Hays:

Q. What do you mean by the term "a pattern of frequency"?

A. A pattern of frequency?

Q. Yes.

Mr. Walker: If we are quoting Dr. Prater's testimony, let's have it in context.

By Mr. Hays:

Q. I am referring to page 2367 where Dr. Prater testifies:

2771 "Well, we have enough to call on the accounts with a pattern of frequency that we consider desirable."

Mr. Walker: This is with relation to the number of sales representatives where he says:

"I think that at the present time we have about the right number of sales representatives."

The Witness: Pattern of frequency would mean in this context the overall number of calls on the various accounts depending upon the size, their size and importance, and the pattern would include more emphasis on the larger accounts and less emphasis on the smaller accounts. I believe that would describe it.

• • •

2773 P. GOFF BEACH, JR. was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. My name is P. Goff Beach, Jr.

Q. Where do you live, Mr. Beach?

A. In Madison, Wisconsin.

Q. What is your occupation, sir?

A. I am executive vice president of Oscar Mayer & Company, meat packers.

Q. Where is your principal office of the company located?

A. In Madison.

Q. Where are the processing plants located?

A. The processing plants are in Madison, Chicago,
2774 Philadelphia, Davenport and Los Angeles.

Q. To whom are your products sold, Mr. Beach?

A. I would say pretty much to the general public, although we, of course, sell directly to small stores, chain stores, and some through jobbers, that type of thing.

Q. And wholesale grocers also?

A. Yes.

Q. Under what labels are your products sold, sir?

A. We have three labels. The main label, the top grade product goes under the label of Yellow Brand; our second line goes under the label of Cores Brand, and the third line product is called the Red Brand.

Q. Through what channels do you market your products, sir?

A. Primarily through our distributive sales organization, and our sales force, and some through brokers and jobbers.

Q. During what period of time have Oscar Mayer sold products in any units of the Consolidated Foods Corporation?

A. For a considerable time, for some time.

Q. Going back to at least 1950?

A. At least, yes.

Q. What was the approximate volume of sales to
2775 Consolidated in 1958?

A. Approximately $500,000.00 of sales.

Q. What was the approximate volume of your total sales in 1958?

A. Approximately $260,000,000.00 in sales.

Q. What trend have your sales to Consolidated been taking since 1950?

A. I believe the trend has been upward.

2776 Q. What has been the trend of the total sales since 1950?

A. It, too, has been upward.

Q. What in your opinion are the reasons for the upward trend of the total sales since 1950?

A. I think primarily because of consumer demand for our product. There again, we like to think it is because of the work we do in quality control and the efficiency of putting out the product, and service, things like that.

Q. Does advertising help create consumer demand?

A. Unquestionably.

Q. What are your duties as executive vice president of Oscar Mayer?

A. As executive vice president, I am basically responsible for the operations of the company in the execution of the policies that are set for the company.

Q. How long have you been executive vice president, Mr. Beach?

A. For just a short time, for approximately three months.

Q. Would you please state your prior position that you held with Oscar Mayer Company, and the periods of time during which you held those positions?

A. O. K. I have been with Oscar Mayer for almost

2777 twenty-five years, so I — in thinking that I might be asked this question — I wrote it down. I started in 1936, in the production work in the Chicago plant. I was purchasing agent at the Chicago plant from 1938 until 1939. From 1939 until 1941 I served in various capacities as supervisor of various departments at the Chicago plant. From 1941 until 1943 I was superintendent of the Chicago plant.

From 1943 to 1946 I had time out for Service in the Navy; and after returning in 1946, until 1948, I was production superintendent again at the Chicago plant.

Then from 1948 until 1951 I was production superintendent at the Madison plant.

From 1951 until 1952 I was operations manager of the Madison plant. From 1952 until 1953, I was plant manager of the Madison plant; and from 1953 until 1960, I was superintendent — I was vice president of operations for the company. Late in 1960, I was made executive president.

Q. What participation, generally, since 1950, Mr. Beach, in relation to the purchasing of raw materials such as dehydrated onion and dehydrated garlic and capsicums have you had?

A. Well, I have, I would say I have had a very
2778 close relationship since that time, and in particular, of course, in the policies concerning our entire purchasing operation. Since 1951 to 1952 I was operations manager, in that capacity our purchasing agent and general purchasing agent reported directly to me. From 1953 until 1960, as vice president of operations, the general purchasing agent also reported directly to me, except for about two years, in 1959 and 1960, when there was an intermediary person in there who was called general operations manager.

2779 Q. So you were familiar generally with the purchasing policies during this period?

A. Yes, sir.

Q. Do you use a mixed seasoning that contains dehydrated onion and dehydrated garlic at Oscar Mayer, Mr. Beach?

A. Yes, sir.

Q. Where is the mixed seasoning prepared?

A. In our Madison plant.

Q. Then what do you do with the mixed seasonings after they are prepared at the Madison plant?

A. Ship it out to the various processing plants, and of course, use some in the Madison plant.

Q. Do you use the dehydrated onion and garlic in the mixed seasoning?

A. Yes, sir.

Q. About what proportion of your total requirements of dehydrated onion and dehydrated garlic are used in the mixed seasoning?

A. I would say practically all of it.

Q. Is there any purchasing of dehydrated onion and dehydrated garlic directly by the individual plants?

A. I believe a very small amount has been purchased over the past number of years perhaps from a plant, but by far the largest amount has been purchased at our
2780 Madison plant.

Mr. Walker: I would like to have this marked as Respondent's Exhibit 373 for identification.

(Said document was marked Respondent's Exhibit No. 373 for identification.)

By Mr. Walker:

Q. I show you Respondent's Exhibit 373 for identification which is a tabulation of purchases of dehydrated onion and garlic by Oscar Mayer & Company in the years 1946 to 1958.

The source of the Gentry data is the Service Bureau Corporation record. The source of the Basic data is the Commission's Exhibit 219 which has been placed in evidence already in this case.

The source of the data showing the purchases from Manufacturers' Cooperative Association is the Oscar Mayer records. Because of the confusing nature of the data here in the years 1955 to 1957, we have put a footnote on the exhibit, which explains the data.

Without this footnote, it would appear that Oscar Mayer purchased from both Basic and Manufacturers' Coopera-

tive Association in those years; however, as we understand the situation, the Basic data in the years 1955 to 1957 show sales to Oscar Mayer through Manufacturers' Co-
2781 operative Association, and so there is an overlap between the data for Basic and the data for Manufacturers' Cooperative Association in the years 1955 to 1957.

Mr. Beach, where was the data for the purchases from the Manufacturers' Cooperative Association, shown on this exhibit, obtained?

A. They were obtained from our purchasing records in our Madison plant, our general office for purchasing.

Q. This indicates the records go back to 1953, is that right?

A. Correct.

Mr. Walker: I should also state for the record that the blank in the column for Manufacturers' Cooperative Association for 1953 and 1954 indicates that according to Oscar Mayer's records, they purchased nothing from that association in those years.

By Mr. Walker:

Q. Mr. Beach, would you be willing to make the records from which this data was obtained available to the Government?

A. Yes.

Mr. Walker: I will offer into evidence Respondent's Exhibit 373 for identification as Respondent's Exhibit 373.

Mr. Hays: Mr. Walker, it may be on here, but for
2782 1955, how do you account for the fact that Oscar Mayer purchased 55,000 pounds of dehydrated onion through the Manufacturers' Cooperative Association and 62,060 pounds from Basic?

Mr. Walker: I cannot explain this. The Basic records placed in this record indicated they sold 62,060 to Oscar Mayer, and yet, according to Oscar Mayer's records, they only purchased 55,000 from Manufacturers' Cooperative Association in that year.

It may be one of the year-end problems where Basic records are based on the date of shipment, and Manufacturers' Association records — or rather, Oscar Mayer's records are based on the time of receipt.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 373.

(Said document, heretofore marked Respondent's Exhibit No. 373 for identification, was received in evidence.)

2783 By Mr. Walker:

Q. Now, Mr. Beach, Mr. Sparling, who is the sales manager of Basic Vegetable Products, Inc., has testified that in his opinion Basic Vegetables Products, Incorporated, lost sales of dehydrated onion and garlic to Oscar Mayer & Company at Madison after 1951 because of the relationship between Gentry and Consolidated Foods Corporation.

Is that statement correct, sir?

A. I don't believe that statement is correct. I think certainly it looks like it in the records. According to these records it looks like we purchased in Madison only 155 pounds from Gentry in 1951, and 100 pounds in 1954, and their purchases certainly haven't increased much; while Basic's purchases have increased during those years that you mentioned.

Q. Now, this exhibit shows, Mr. Beach, that the major portion of your purchases have been from Manufacturers' Cooperative Association since 1955. What is that organization?

A. Well, the Manufacturers' Cooperative Association is a branch, you might say, or a part of the American Meat Institute.

The American Meat Institute, we are a member of it,
2784 and most, or a goodly number of packers, meat packers are members of it—or the larger ones are members of it.

This Manufacturers' Cooperative Association primarily works to buy or to find sources of different types of product where, by buying in larger quantities they can then sell it to the member companies, the member packers, let us say. The member companies buy through the association because of the advantage of taking the larger quantity purchases — or, let us say, assured quality or better service, and that sort of thing. I think that basically that is what it is.

Q. Have any personnel of Oscar Mayer Company served on the board of directors of Manufacturers' Cooperative Association?

A. Yes, they have.

Q. Who, please?

A. I believe our Mr. Charles Lee, who is now manager of our Philadelphia plant, and who at one time was general purchasing agent, I believe that during part of the time he was general purchasing agent he served on that board. And then away back in 1938 or 1939, when I was purchasing agent of our Chicago plant, I served on the board too; although, as I recall, away back there, it had a dif-
2785 ferent name — but it was the same function.

Q. Why has Oscar Mayer purchased the majority of its requirements of dehydrated onion and dehydrated garlic from Manufacturers' Cooperative Association since 1955?

A. Well, I would say that undoubtedly they purchased it, or at least I have been told by the purchasing department that they purchased it because of, either they have gotten through them a better price or better service, plus the fact that is our industry's — what is the word I am groping for — what — well, that is a part of the American Meat Institute that we are members of, and we have felt that everything being equal, we should try to support the association as best we can.

Q. The Manufacturers' Cooperative Association did not purchase any dehydrated onion or garlic or have it available for the meat industry prior to 1955, is that right?

A. That is what I am led to believe, and I believe that is correct.

2786 Q. Approximately what portion of its requirements of dehydrated onion and dehydrated garlic does Manufacturers' Cooperative Association obtain from the Basic Vegetable Products, Inc.?

A. I understand that they obtain about 90 per cent from Basic Products of the onion and garlic.

Q. I show you Commission's Exhibits 214, 215 and 216. These are memoranda written by Mr. Benzies of Basic Vegetable Products, Inc. regarding his contact with your company, Mr. Beach?

A. Yes.

Q. Would you read these, please?

A. To myself, or out loud?

Q. To yourself, sir. Just glance through them so that you are familiar with the contents.

Mr. Beach, these documents refer to pressure being put on Oscar Mayer by Consolidated Foods Corporation to obtain onion and garlic business for Gentry.

Does any such pressure or any contact by Consolidated in an effort to assist Gentry in this manner ever come to your attention?

A. No, sir.

Q. Have you inquired, Mr. Beach, as to whether any officers of Oscar Mayer were contacted by Consolidated personnel in this conection?

2787 A. Yes, I have.

Q. Of whom did you make this inquiry?

A. I inquired, I checked with Mr. Bowman, who is head of our quality control department, or he was from 1951 until 1958.

I checked with Mr. Bard, who during a good part of that time was head of our spice division, and who now replaces Mr. Bowman as head of quality control.

I checked with two, actually three general purchasing agents that had that position during the past 10 years or more, and I also checked with our General Sales Manager, our Vice President of Marketing, and according to each of them, they have not had any, nor had they heard of any of the type of pressure you are talking about.

Q. Did you inquire of Mr. Oscar Mayer or Mr. Oscar Mayer, Jr.?

A. I checked, I inquired from both Mr. Oscar G. Mayer and Mr. Oscar G. Mayer, Jr., and they also reported they had no pressures of the nature you are talking about.

Q. Mr. Beach, we have informed the Hearing Examiner we have talked with the witnesses about the case prior to their testimony.

Before you were contacted in connection with your appearance as a witness, had you ever talked with any-
2788 one about the relationship of any kind between your sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic or capsicums?

By your purchases, I mean your company's purchases.

A. No.

Q. Have you had any kind of communication on that subject?

A. No, sir.

Q. As far as your knowledge in a general way of purchasing is concerned of these products, Mr. Beach, and I understand that we have not developed with you any specific knowledge of decisions in this area other than that relating to the Manufacturers' Cooperative Association, what effect has the fact that Consolidated as a customer

of Oscar Mayer had on the volume of your purchases by your company of dehydrated onion and dehydrated garlic from Gentry since 1950, based on the experience and understanding you have testified that you have?

A. I don't believe it has had any effect.

Mr. Walker: Your witness.

2789 *Cross Examination*

By Mr. Hays:

Q. Mr. Beach, has it been a practice for Oscar Mayer & Company to actually make a purchase contract at Madison, Wisconsin, with the instructions that the material should be shipped to other plants?

A. Well, I don't know whether I can answer that. We have a policy at Madison of doing a certain amount, a goodly amount of what we call centralized purchasing. I would guess that a certain amount of that centralized purchasing has been where, maybe, certain items don't all come to Madison and then are shipped out. I cannot answer that question. I am not close enough to it. We do a great deal of centralized purchasing in Madison.

Q. By centralized purchasing, you mean orders in Madison for shipments to other plants, is that correct?

A. I would say ordering in Madison where we would get a quantity amount purchased. As I say, I am not familiar with how much of the actual purchases come into Madison and are shipped out by our trucks, or how much of it, if any, is shipped from our supplier directly to our plants.

Q. Are shipments made by your suppliers directly
2790 to your plants in some instances?

A. Well, yes, certainly our suppliers ship directly to plants.

Q. Would that be true in so far as dehydrated onion

and garlic suppliers are concerned?

Mr. Walker: He testified to this effect on direct examination, Mr. Hays. Excuse me.

The Witness: Would you repeat the question?

By Mr. Hays:

Q. Would that be true in so far as dehydrated onion and garlic suppliers are concerned?

A. I would think it is very unlikely to be true, because most of this product we use in our spice department in Madison, where we make a mixed blend of spices, and we only have a spice department and laboratory and equipment in the one plant. So we will make the spice, say for the weiners or bologna in Madison, and ship the mixture out to the plants.

Q. For how long has that been true?

A. That has been true for a number of years.

Q. Are there products made by Oscar Mayer & Company that do not require the ready-mix in Madison, and may be mixed at the various locations?

A. We do no mixing at the various locations. There are certain—well, things that go in, the ingredients that 2791 go into our products that will be used in the other location, there are things without being mixed—for instance, like a pimento, that is an item like a spice, that is an ingredient product, and that is not meat, and we consider it as part of our spice. That is not mixed into what we call our loaf seasoning, and that might be handled directly in the Chicago plant, it doesn't necessarily come from Madison.

Q. Has your Chicago plant ever received dehydrated onion and garlic that was ordered in Wisconsin?

A. I cannot answer that question. I don't know the answer.

Q. What did the Chicago plant do with the 5,000 pounds of dehydrated onion that it purchased from Gentry in 1955?

A. I don't know, unless I have it in our records, reports from our purchasing department. I don't know at this time. I am not close enough to that to take a particular order and to know what it was used for.

Q. On the basis of Respondent's Exhibit 373, that 5,000 pounds was not mixed in Madison and sent to Chicago, was it?

A. Will you repeat the question? What exhibit?

2792 Q. I am referring to Respondent's Exhibit 373.

Mr. Walker: That is the data sheet, Mr. Beach.

The Witness: And now, your question?

By Mr. Hays:

Q. On the basis of this exhibit, Respondent's Exhibit 373, the 5,000 pounds of dehydrated onion that was purchased from Gentry by Oscar Mayer & Company did not find its way into the mixed seasoning at Madison, Wisconsin, did it?

A. I cannot answer that question. I mean, it might have been sent to Madison and used in the mix, I just don't know.

Q. Were all of the purchases of dehydrated onion and garlic which are reflected in Respondent's Exhibit 373 during the years 1954 to 1957, which were purchased from Basic by the Madison, Wisconsin, plant, were all those quantities shipped to Madison?

A. I don't know. I don't think that I can answer that accurately. My guess is that it probably was, because these are basic items that go into our mixed formula, and the only place we can mix them is at Madison.

Q. Well, the onion purchased in 1958 wasn't shipped to Madison, was it? That 1,028 pounds, in regard to

2793 Los Angeles?

A. I don't know whether it was or not.

Q. Who is Mr. Ellrodt?

A. At one time he was general purchasing agent in Madison.

Q. In 1954?

A. Let's see. Yes, I believe so.

Q. Who is Mr. Conway?

A. He used to work in our spice department, but he is no longer with us, either.

Q. Neither of those individuals are with you?

A. No.

Q. Where are they?

A. I really cannot tell you.

2794 Q. Who is Mr. O'Hearn?

A. I don't know who Mr. O'Hearn is. I checked with our purchasing department about having a person named O'Hearn with us back during the years in question, but nobody had any records as to Mr. O'Hearn.

Q. Who is Mr. Carl Mayer?

A. He is vice president of marketing and public relations.

Q. Mr. O'Hearn's first name was Leo. Do you know a Mr. Leo O'Hearn?

A. I don't remember him.

Q. Okay. Do you know a Mr. Marty Kraham?

A. Kraham?

Q. Yes, K-r-a-h-a-m.

A. No, I don't.

Q. Did you talk to Mr. Carl Mayer insofar as anyone mentioning the Consolidated-Gentry relationship is concerned?

A. Did I talk to Mr. Carl Mayer?

Q. Yes.

A. No.

* * *

2796 ARTHUR N. PRATER was thereupon recalled as a witness on behalf of the respondent, and, having been previously duly sworn, resumed the stand and was examined and testified further as follows:

Further Cross Examination

By Mr. Hays:

Q. Dr. Prater, when in your opinion did the Gentry Division of Consolidated Foods lose its first sale of dehydrated onion or dehydrated garlic as a result of the relationship between Gentry and Consolidated Foods insofar as the Fred W. Albrecht Grocery is concerned?

A. This would be a guess. I would think it was in 1953, 1954, or maybe 1955.

Q. It did not lose any sales between April 1, 1951 and 1953, 1954 or 1955, because of this relationship?

Mr. Walker: Your Honor, I object to this line of questioning, because Dr. Prater testified quite clearly on direct examination as to the foundation for his opinion as to lost sales. If Mr. Hays wants to interrogate Dr. Prater as to his knowledge of what the sales to individual com-
2797 panies were, he is perfectly free to do so; but Dr. Prater testified his basis for his opinion was not an examination of the data, and not a knowledge of whether Gentry did or did not sell these companies.

He testified that his knowledge, the basis for his opinion was based solely upon the call reports which were placed in evidence, and which he received from the salesmen. So the inference in this line of questioning that Dr. Prater based his opinion on knowledge as to whether and when Gentry stopped selling these companies is wrong, it is a wrong inference and misconstrues Dr. Prater's testimony.

Hearing Examiner Kolb: I think it is cross examination, and he has a right to ask the question.

Mr. Walker: Yes, but I respectfully suggest that the questions should not imply that his opinion was based on this, but rather asking him what his knowledge was, whether Gentry did or did not sell these companies, which I agree is proper cross examination.

Mr. Hays: I think my original question is proper, and he can answer. If he knows whether they lost sales before 1953, he can answer. If he doesn't know, he can say so.

By the Witness:

2798 A. When I gave that answer, I was confusing it with the Witmer Grocery Company, which I think was a later date. I don't know when we lost sales concerning this company.

By Mr. Hays:

Q. Is your opinion as to the time the sales were lost based exclusively upon these call reports which are Respondent's Exhibits 231 through 363?

Mr. Walker: Objection, Your Honor. Dr. Prater has given no opinion as to the time when the sales were lost.

• • •

Hearing Examiner Kolb: He gave an opinion yesterday.

Mr. Walker: No, Your Honor, he just testified in his opinion Gentry had lost sales with these companies, and that his opinion was based upon the call reports. He didn't give any opinion as to when the sales were lost, except, of course, that obviously all of it was after 1951.

2799 Hearing Examiner Kolb: He has a right to go into that on cross examination. Go ahead.

The Witness: Would you read the question again, please?

(The reporter reread the question as follows:

"Question: Is your opinion as to the time the sales were lost based exclusively upon these call reports which are Respondent's Exhibits 231 through 363?")

By the Witness:

A. Well, my opinion is that it cannot be exclusive on this. I have been reading thousands of documents, looking at data, looking at records, looking at sales analysis books. My opinion that we have lost sales is based on this type of document, and I believe those are all that we could find.

Also the basis of conversations with our men, and based

on, in two instances, where I have been told by customers that they would not buy from us because of this. The case in point is Libby. You asked me this morning whether we sold them, and I don't think we ever sold Libby. Our men keep trying, and we hope to, but they won't even give us the time of day now, as far as we know that is because of this relationship.

2800 Q. Well, with reference to the Fred W. Albrecht Grocery Company, I see two call reports dated in 1955, both of them.

Now, is it your opinion that the sales that you think were lost were lost as of 1955 and thereafter, or before 1955?

Mr. Walker: I am sorry, your Honor. I have to object again. I know that you think I am making an issue where perhaps there is no issue, but I don't think, based on these questions, that Mr. Hays is understanding what the doctor testified to. Dr. Prater did not testify that in his opinion Gentry lost sales with every single one of these companies that the call reports for which have been placed in evidence.

He testified that in general Gentry has lost business, and when he was asked on what he based that opinion, he said, "I have read a lot of call reports," and I believe, in effect, that he said where there is this much smoke, there is bound to be fire.

He has never testified, never, that in his opinion Gentry lost sales with every single one of these companies for which call reports have been placed in evidence.

2801 Hearing Examiner Kolb: He testified his opinion was based on all those call reports, and Mr. Hays is simply going into it to find out specifically which ones served as a basis for his opinion.

Mr. Walker: Your Honor, what I am getting at, and I am having trouble, is that Mr. Hays assumes that Dr. Prater testified that Gentry lost business with Fred W. Albrecht Grocery Company, and he did not so testify.

Hearing Examiner Kolb: Dr. Prater testified he lost business, and his basis for that was these documents which were put into evidence.

Now Mr. Hays wants to know whether or not the call reports were the basis for his opinion.

Mr. Walker: Mr. Hays, said, "Is it your opinion that you lost sales with the Fred W. Albrecht Grocery Company based on the two call reports dated in 1955?" And Dr. Prater did not testify he lost sales with the Fred W. Albrecht Grocery Company.

Now, if Mr. Hays wants to ask that question, "Did you, in your opinion, lose sales with Fred W. Albrecht Grocery Company?" That fact will be in the record.

Hearing Examiner Kolb: Why did you put those documents in to support his opinion if he didn't
2802 lose business?

Mr. Walker: I have very carefully taken what I think is a finely-drawn position here, which I think is the only proper one in this case, because it is so important.

I will say that it is our position that Gentry lost some business because of the Consolidated relationship. We have no way of knowing how much business was lost, because we do not feel that a call report coming in to the home office automatically proves to the home office that business was lost at that company. The only man who knows whether business was lost in the company is the man who does the buying. Dr. Prater very carefully answered the question that he had a general opinion that somewhere with some of these companies, unnamed, Gentry had lost business, and that the basis for his opinion was that you could not get this many call reports coming in and mentioning this as a reason for lost business unless some of them were true.

But we don't know how many are true, and he has not said how many of them are true. I think this position is fair, we are neither exaggerating nor minimizing.

Hearing Examiner Kolb: You cannot cut off Mr.
2803 Hays' rights of cross examination.

Mr. Walker: I am not trying to.

Hearing Examiner Kolb: His cross examination is based upon the documents that Dr. Prater said were the basis for his opinion.

Mr. Walker: He keeps asking a question that assumes a fact that is not in the record.

He said, "Dr. Prater, you lost business, you testified you lost business with Fred W. Albrecht Company," and on what basis, and the doctor did not so testify.

Hearing Examiner Kolb: You are drawing an awfully thin line of distinction. I think the natural reaction of anyone would be that if the witness testified he lost business generally, and to support that opinion he puts in the call reports which were received, that would be an indication that he thought that had some relation, and that there was a loss in business in this particular instance.

All Mr. Hays is trying to do is find out if there was or was not.

Mr. Walker: Dr. Prater very carefully spelled out that he was not saying that we lost business with every single one of these companies.

Hearing Examiner Kolb: If he didn't think with
2804 a company, why put in the call reports?

Mr. Walker: The accumulation of call reports, the 25 or 30 or 50 companies, your Honor, indicates and is evidence, we think, of the fact that among this group of companies Gentry is losing some business, or else there would not be this many salesmen writing about it.

For us to be able to sit here, either Dr. Prater in the conduct of his business, or us in the court room, to point to any one of the companies and say that we know as to one of them, is very, very difficult.

We have been trying very assiduously in the presentation

of this case, your Honor, to convince you of the same thing with relation to reciprocity. Mr. Sparling, when he talks about their losing business at specific companies, it is an opinion which is based upon individual companies, that upon examination don't bear out the statement in relation to those individual companies.

As I told you at the outset, we are never going to try to claim that reciprocity got no business for Gentry. It got some business, we think it was very small. We think Gentry lost business because of this relationship, but
2805 we don't know how much. We think one balances the other.

We find no way to prove how much was lost, and it would be unfair, I think, and improper for Dr. Prater to testify on the basis of these call reports, which he did not testify yesterday, that Gentry lost business at every single one of these companies. We don't want to put ourselves in the same position as Mr. Sparling did on that.

Hearing Examiner Kolb: It is a matter of cross examination, so the witness may answer.

Mr. Walker: Excuse me, your Honor, for taking so long.

Hearing Examiner Kolb: Would the reporter please read the question, the pending question.

(The reporter read the pending question as follows:

"Question: Well, with reference to the Fred W. Albrecht Grocery Company, I see two call reports dated in 1955, both of them. Now, is it your opinion that the sales that you think were lost were lost as of 1955 and thereafter, or before 1955?")

2806 By the Witness:

A. I can testify that we did lose business of the Fred W. Albrecht Company.

By Mr. Hays:

Q. You do not have any opinion that you lost business?

A. I have an opinion.

Q. Is it your opinion that you did lose business at the Fred W. Albrecht Company?

A. May I see the call report, please?

This would give me the opinion that we had lost the business, yes.

Q. As of what time?

A. This would indicate that we—well, on July 17 he says he could no longer—this means, then, that we could have been selling him then. In October he said he would no longer buy.

I would infer from this we could have lost it between July 14th and October 27th.

Q. For the first loss?

A. Based on this; I would have no other recollection of the particular account.

Q. In other words, you do have an opinion that you lost sales to the Fred W. Albrecht Grocery Company?

A. Our sales analysis books would show. This 2807 would give me the opinion, based on these documents, and I am sure that Mr. Curtis reported what he believed to be true, that he had lost the business, we had lost the business, and it could be, as this would indicate, after July 14th.

Q. Then you do have an opinion with reference to each of these companies as to whether you lost the business on account of the Gentry-Consolidated relationship?

A. Well, I happen to know there is a document in there that came in just recently from Libby—

Q. Let's answer the question now. It seems like you are getting off on these excursions.

Now do you have an opinion with reference to each of these companies or do you not have an opinion with reference to each of these companies?

A. Each single company?

Q. Yes.

A. I am not certain.

2808 May I finish about Libby, or is that out of order?

Q. No. Mr. Walker can bring that up if he likes.

Dr. Prater, I am going to ask you to look at Respondent's Exhibits 231 through 363 and ask you to state as to which of the companies named appearing on the call reports that in your opinion you did or did not lose business in the sale of dehydrated onion and garlic as a result of the relationship between Gentry and Consolidated Foods?

A. I am looking, sir, for three companies, two of which I have been told by the individuals, I have checked out, I remember the details—at least I remember checking, knowing that we no longer sell them, and I am certain that those we did lose business.

Q. Which are they, sir?

A. This is the Richmond-Chase Company, San Jose, and the John Sexton Company, Indianapolis. I have never called at the Indianapolis plant, but I have called on them at Chicago.

I know we did check these out and I know that I was told that these companies do no longer buy from us.

I believe that there are many others here. Again in the case of Libby, there is a report here that says that the door is closed to Gentry which means that we have several

2809 strikes against us even trying to get business from them because of the Consolidated relationship.

Q. How do you know it is because of the Gentry and Consolidated relationship?

A. We have been told; it has been in the call reports.

Q. Show me the call reports that refer to the Gentry-Consolidated relationship insofar as Libby McNeill & Libby is concerned?

A. Here is one by Mr. Kraham.

Q. This is Respondent's Exhibit 286.

A. Here is Exhibit 285.

Here is one:

"Tom, the door is closed on Gentry."

Q. Is that because of the Gentry-Consolidated relationship or is that because they don't like Consolidated Foods which happens to have a division known as Gentry?

The Witness: Would you repeat that question, please?

(The reporter read the question as follows:

"Question: Is that because of the Gentry-Consolidated relationship or is that because they don't like Consolidated Foods which happens to have a division known as Gentry?")

By the Witness:

A. In either case we think it is because of our re-
2810 lationship with Consolidated.

By Mr. Hays:

Q. You are part of Consolidated Foods, are you not?

A. We are a wholly owned subsidiary, sir, or a wholly owned division.

Q. Now when Libby McNeill & Libby talks about Consolidated Foods, they are talking about the Gentry Division as well as all other divisions, aren't they?

A. I wouldn't have any idea what Libby is talking about when they talk about Consolidated, sir, except when they tell our men they will not buy from Gentry because of the relationship.

Q. There is nothing in these call reports about a relationship, is there?

A. Would you like me to read them out loud, sir?

Q. Yes. Read me those parts which refer to a relationship.

A. This is Libby McNeill & Libby, May 5th, '55, M. Kraham:

"Still no progress. Married to Basic and Puccinelli. Entire organization is anti-Con. Foods. Pleasant interview but completely unproductive."

Q. You are Con. Foods, aren't you?

A. You mean am I Con. Foods personally, Arthur Prater?

2811 Q. The operation out there is Con. Foods' operation, isn't it?

A. What operation, sir?

Q. The dehydration of onion and garlic that you supervise?

A. You mean our Gilroy plant?

Q. Yes.

A. It is a physical plant, yes, sir.

Q. Isn't that part of Consolidated Foods?

A. It is a part of Consolidated Foods, yes, sir.

Q. What other parts of these call reports are you referring to?

A. "The details are the same as in my March—"

This is Libby McNeill & Libby, July 13, 1956, Kraham:

2812 "The details are the same as in my March 19th call report. Heavens knows when and if we will get any business out of this organization because of their feelings concerning Consolidated Foods."

Q. Is the dehydrated onion and garlic operation in Gilroy that you supervise—isn't that a part of Consolidated Foods?

Mr. Walker: This is the third time the question has been asked and it has been already answered twice, your Honor. I object.

By the Witness:

A. This is part of the Gentry Division.

Hearing Examiner Kolb: I will let him answer.

By the Witness:

A. It is part of the Gentry Division of Consolidated Foods.

By Mr. Hays:

Q. That is Consolidated Foods, isn't it?

A. The Gentry Division, sir?

Q. Yes.

A. It is a small part of Consolidated.

Q. Yes. Thank you.

Are these the only three companies specifically that in your opinion you lost business to because of the Gentry-Consolidated relationship?

2813 A. Specifically there are more. I could not name them. I have checked these out in poundages. The definition of losing business, I remember you asked me before when was the last loss of business with Sexton.

Well, in my opinion, we are losing business today with Sexton if he is selling and not selling our product.

Q. In other words, your specific opinion as to specific customers is limited to the three named customers, Sexton, Richmond-Chase and Libby McNeill & Libby, and you do not have any specific opinion as to the loss of sales of any of these other named customers or potential customers that appear in the documents which you now hold in your hand?

A. Well, what would be the difference between a specific and a general opinion? My general opinion is that there must be lost business in these customers here. I do not know specifically about each one.

Q. Is the Sexton Company a distributor?

A. A wholesale grocery distributor.

Q. No, the type of distributor that you referred to this morning.

A. Sexton would be a wholesale grocery distributor or we may have considered them a jobber at that time.

2814 Q. And they sold to what type of customers?

A. They sold No. 10 tins to institutions and restaurants, I believe.

Q. Now when you lost these sales which in your opinion you did lose insofar as Sexton is concerned, didn't you know who they were selling these No. 10 institutional tins to?

A. I am not sure whether we did or not, sir. I believe it was under their label, the Sexton label.

2815 Q. Did you know who they were selling them to?

A. I don't know whether we knew or not.

Q. How about Richmond-Chase?

A. I was told by one of the Sextons, and I am not sure which one it was, that they liked Gentry but they were not going to buy from Consolidated, and we were standing in the entryway of his office, that is how I remember the occasion. It is the only time I have been in the Sexton place.

Richmond-Chase is a manufacturer and I believe is using the onion and garlic for catsup pack or vegetable pack.

Q. During the period from 1946 to April, 1951, why did Gentry, Incorporated, or its predecessor companies lose business to Libby McNeill in your opinion?

Mr. Walker: Is there testimony in the record that they did so?

By Mr. Hays:

Q. Is it your opinion that they lost business to Libby McNeill & Libby during the period 1946 to 1951?

A. We did not sell them any onion and garlic, I don't believe.

Q. Why did you not sell them any onion and garlic, if you have an opinion on it?

A. I have never been able to figure out completely.

2816 Q. Now—

A. But I have suspected that there was some personalities among the former company presidents, but I have never been able to pin it down.

Q. But since 1951 you haven't made any sales because of the Gentry-Consolidated relationship, is that it?

A. Our men are always calling and no matter what steps we taken, we get this thrown in our face all the time, the relationship with Consolidated.

Q. Isn't it true when you say the relationship with Consolidated, isn't it true that they say, "We don't like Consolidated Foods"?

A. Well, I don't know how they put it, but they mean they won't buy from Gentry. A good salesman will go his whole life trying to sell an account and eventually and often it pays off. Whether we would ever have sold them or not, we don't know. We have the adverse effect of this thrown in our face all the time very firmly.

• • •

2817 *Redirect Examination*

By Mr. Walker:

Q. Now, Dr. Prater, you testified that in your opinion Gentry has lost sales because of the Gentry-Consolidated relationship. What do you mean by the Gentry-Consolidated relationship?

A. Oh, the blister on our back, the problem we have to overcome, the feeling reported that these people are competitors of Consolidated.

Q. What is the relationship—to use the same word in a different context—what is the relationship between these companies that are the subject of these call reports and Consolidated Foods Corporation?

A. They are competitors.

Q. They are competitors of what part of Consolidated Foods Corporation?

A. The distribution divisions, and I suppose in the processing divisions.

Q. When you say these companies are competitors of Consolidated Foods Corporation, you mean the Consolidated Foods Corporation other than the Gentry Division of Consolidated Foods Corporation, is that right?

A. Yes, certainly.

Q. Dr. Prater, I wonder if you would just tell us
2818 what facts you had in mind when you evaluated call reports received from your salesmen?

A. Well, you check the figures in the orders, you read

the language, you realize the salesman will state what they believe to be the situation. It may not always be completely true. Certainly you believe that the men are telling the truth and reporting what they were told or what they believe they were told. You do not always accept it as completely true. Salesmen sometimes exaggerate. Salesmen will sometimes give almost any reason for not making a sale. They will almost always take credit if a sale is made.

You might say that you have to use a sense of human relations, human values in evaluating any salesmen's reports.

2819 Q. When you say the salesmen are telling the truth, you mean that the salesmen are accurately reporting to you what they were told, and it is your opinion that they do so accurately report to you what they are told, is that right?

A. Yes, either what they were told or what they believe they were told.

Q. Now do you of your own knowledge, Dr. Prater, know whether these companies that are the subject of the call reports in Respondent's Exhibits 231 to 364 did or did not stop buying or not buy from Gentry because Gentry was a part of Consolidated Foods Corporation?

Do you want the question read back?

A. That is this list of—

Q. That is this list of call reports that Mr. Hays has been interrogating you about during your cross examination.

The Witness: May I have the question, please?

(The reporter read the question as follows:

"Question: That is this list of call reports that Mr. Hays has been interrogating you about during your cross examination.")

By the Witness:

A. No.

By Mr. Walker:

2820 Q. Dr. Prater, do you have an opinion as to the amount of business that Gentry has lost because of the Gentry-Consolidated relationship, how many pounds?

A. I would have no opinion as to how many pounds.

Q. You testified on cross examination that there were, I believe, three of these companies where you felt that you had an opinion as to whether or not Gentry had specifically lost business with those companies because Gentry was a part of Consolidated Foods Corporation, and you said as to the remainder that you did not have a specific opinion.

I believe that was the testimony you gave.

Now I am going to ask you, Dr. Prater, to please state in what way those remaining documents, that is, the documents among Respondent's Exhibits 231 to 364 not relating to those three companies you mentioned specifically support your opinion that Gentry lost sales because it was a part of Consolidated Foods Corporation?

Is my question too long, or do you understand it?

A. I believe I understand it.

Q. Go ahead.

A. These documents support my opinion in that they all relate to the fact or to the reports of our men that

2821 they have been told by the companies or the individuals called upon that they did not want to buy from Gentry because we were part of Consolidated.

In some cases I believe their statements were further to the effect that because Consolidated Foods is a competitor of the individual company in question.

Q. How does the reporting of these statements support your opinion that Gentry has lost business because it is a part of Consolidated?

A. Well, these are reports that our men make out when they call in an attempt to get business. They are told directly or indirectly by the representatives of these various

companies that Gentry will not get business because of the Gentry-Consolidated Foods relationship or ownership by Consolidated, and in many of them the statement is made because Consolidated is in competition with the individual companies and they do not want to buy from competition.

Q. Have you completed your answer, sir?

A. Yes.

Q. Dr. Prater, to your knowledge has instant minced onion been sold by Consolidated Foods Corporation under any of its own labels—that is, other than the Gentry labels?

A. None that I am aware of or certain of.

Q. In your opinion would it be advantageous to
2822 Gentry to have Consolidated sell instant minced onion through its wholesale and retail distribution units under one of its labels?

The Witness: Could I have the question?

(The reporter read the question as follows:

"Question: In your opinion would it be advantageous to Gentry to have Consolidated sell instant minced onion through its wholesale and retail distribution units under one of its labels?")

By the Witness:

A. In overall balance, no.

By Mr. Walker:

Q. Why not?

A. We would be competing—Consolidated would be competing with many of Gentry's customers, our private label packers, such as Durkee who are nationwide would have national distribution and Consolidated does not have national distribution.

We would have more of the same. We would be criticized by many of our current customers for being directly in competition with them.

Q. If Consolidated Foods Corporation should advertise instant minced onion as a product without rela-

tion to any particular brand, what in your opinion
2823 would be the result of that advertising?

A. I think that it would help promote instant minced onion. It would probably help the total sales. It would probably help Basic more than Gentry. Basic has more distribution in the private label packages.

It would certainly help promote the overall market for instant minced onion.

Q. It would help all producers of instant minced onion, is that right?

A. It should, yes.

Q. Has there been any extensive advertising by any of what you call these private label sellers, that is, Durkee is one you mentioned specifically—such as Durkee?

A. Yes, Durkee carried on a very extensive advertising campaign at the housewife level on instant minced onion.

Q. What was the result of that campaign, Dr. Prater?

A. It was very disappointing to Durkee from the standpoint of the results obtained for the money spent.

Q. You testified in your direct examination that there were no warehouses of Consolidated that could be used advantageously by Gentry and I would like to ask you on what you base that opinion?

A. We have what we consider to be adequate ware-
2824 housing at present in all of the public warehouses.

We know of no area or region or city where we need a warehouse and do not have one available to us. We would pay the same warehouse rate if we were to warehouse with Consolidated, and I just know of no advantages we could gain if we were to change any of our warehouses.

Q. Would public warehouse space be available in the cities and in the locations where Consolidated Foods has warehouses presently?

A. I am sure they would. I don't even know all the cities were Consolidated has warehouses.

Q. Then why are you sure that the public warehouse space would be available?

A. We have yet to find any city, any major city with any warehousing problem where you do not find warehouse space. Consolidated has warehouses that I know of in some of the cities, and I am sure that there are public warehouses in all of those cities.

Mr. Walker: No further questions.

Mr. Hays: I have a few more questions.

2825 *Recross Examination*

By Mr. Hays:

Q. Is it your testimony that each of the named customers appearing in the calll reports which are numbered Respondent's Exhibits 231 to 363, that each of them is a competitor of Consolidated Foods?

The Witness: Would you repeat that question?

(The reporter read the question as follows:

"Question: Is it your testimony that each of the named customers appearing in the call reports which are numbered Respondent's Exhibits 231 to 363, that each of them is a competitor of Consolidated Foods?")

Mr. Walker: That is the companies that are the subjects of the call reports? There may be some companies mentioned in the body in another connection, in another context, Mr. Hays. I don't know whether there are or not, but your question is directed to those that are the subject of the call reports.

Mr. Hays: They appear under the first line and the name is after the "Firm" usually. I will show you.

By the Witness:

A. It is my opinion that most of those if not all of
2826 them are competitors or considered to be competitors by the man writing the call report, and which are the basis of the call report, yes.

By Mr. Hays:

Q. But you don't know whether they are competitors or not, do you?

A. Me personally?

Q. Yes.

A. Not in every case, no.

* * *

2827 ROBERT P. SHAW was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you please state your full name, please?

A. Robert P. Shaw.

Q. Where do you live, Mr. Shaw?

A. 8435 South Honore, Chicago.

Q. What is your occupation?

A. I am a buyer for Swift & Company.

Q. Would you please state what department or division of Swift & Company you work in?

A. I am in the chemical, food and additives division of the general purchasing department.

Q. What is your position in relation to that division?

A. I am the division head. I handle the line of industrial chemicals, ingredients and food chemicals. I supervise the activity of four other buyers.

Q. In what business is Swift & Company engaged, sir?

A. Primarily meat packing along with several other food products and industrial products.

Q. Where are the Swift plants located?

A. In various cities around the country.

2828 Q. There is, I believe, a large number of those plants, isn't there, Mr. Shaw?

A. Yes.

Q. Where is the principal office of your company located?

A. Union Stock Yards, Chicago.

Q. How long have you held your present position, Mr. Shaw?

A. Six years.

Q. What position did you hold prior to that time?

A. I was division head in charge of the miscellaneous division of the purchasing department.

Q. At about how many of its plants does Swift & Company use dehydrated onion and garlic?

A. I would say approximately 70 plants, in that area.

Q. And those plants are located throughout the United States?

A. Right.

Q. Is dehydrated onion and garlic for these plants purchased at each plant or is it purchased from the central office?

A. The purchases are made at the central office, the general purchasing department.

Q. Are the local plants free to buy any dehydrated onion and garlic at all?

2829 A. Oh, it is possible that they could buy on an emergency basis, but generally the instructions go out to the plants as to whom they are to send their orders to.

Q. So that all decisions as to sources of supply are made at the central office, is that right?

A. That is right.

Q. Does Swift sell any of its products to Consolidated Foods Corporation?

A. I understand they do.

Q. Have you obtained some information regarding Swift's sales to Consolidated for us?

A. Swift's sales volume to Consolidated?

Q. Yes. Did I ask you to obtain some information re-

lating to sales?

A. I don't have any such information.

Q. Do you know how long Swift has been a customer of Consolidated—I am sorry, do you know how long Consolidated has been a customer of Swift & Company?

A. I really don't know.

Q. It has been for a number of years, do you know?

A. Yes, I would say so.

Q. What is the approximate volume of Swift's total sales?

A. Dollar volume?

2830 Q. Yes, sir.

A. Approximately two and a half billion dollars.

Q. Billion dollars?

A. Right.

* * *

2831 (Said document, heretofore marked Respondent's Exhibit No. 374 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. Shaw, this exhibit indicates that Swift has been in the practice of dividing its business between Gentry and Basic apparently for a number of years.

Why is that?

A. On commodities such as these which are important, in our operations we make a practice of having at least two sources of supply.

Q. Has Swift purchased dehydrated onion or garlic from any other company other than Basic or Gentry?

A. I believe we have. We don't have the records, but there are some indications that we bought some from Puccinelli.

Q. In what years would those purchases have been made, Mr. Shaw?

2832 A. '54 or '55, and I believe there were some purchases made in 1957.

Q. Why in the years 1956 to 1958 taken as a total for all of those years have you given more of the business to Gentry than Basic?

A. In our selection of two sources of supply, we do not necessarily split our business right down the middle. We like to give a larger share of the business to one of the sources so that we can promote some competition with the other.

2833 Q. Why did you decide to give more of the overall during these three years to Gentry rather than to Basic?

A. When you look at the two together, there is not a great deal of difference. We did have some quality problems with Basic's onion powder, I believe, in some of these years.

Q. Would you please describe, Mr. Shaw, the procedures followed during the years that are shown on this exhibit in determining your sources of supply for dehydrated onion and garlic?

A. The procedures we follow in the purchase?

Q. Yes.

A. The laboratory and operating department furnish specifications which are passed along to suppliers and we request samples for evaluation. The samples are evaluated in the laboratory. Representatives of the commercial department, the operating department, the laboratory and purchasing are present at the time of evaluation and selection is made of the best value at the time.

Q. Mr. Shaw, we have informed the Hearing Examiner that we have talked with the witnesses prior to their testimony.

Before you were contacted in connection with your 2834 appearance as a witness, had you ever talked with anyone about a relationship of any kind between your company's sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic or capsicums?

A. I have no recollection of any such conversation.

Q. Have you had any kind of a communication on the subject?

A. No.

Q. Based on your experience in purchasing these commodities, Mr. Shaw, what effect has the fact that Consolidated is a customer of Swift & Company had on the volume of purchases of dehydrated onion and dehydrated garlic from Gentry?

A. None.

* * *

2835 CLEO A. RINEHART was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Cleo A. Rinehart, R-i-n-e-h-a-r-t.

Q. Where do you live, Mr. Rinehart?

A. 11444 Longwood Drive, Chicago.

Q. What is your occupation, sir?

A. I am a research chemist for Swift & Company.

Q. How long have you held that position, Mr. Rinehart?

A. About thirty years.

Q. What was your position prior to that time?

A. I was an analytical chemist for about seven years for Swift & Company.

Q. Would you please describe the function per-
2836 formed by the laboratory at Swift & Company through 1958 in connection with their determination of the source of supply for raw materials?

A. We received samples from the purchasing department and I will prepare those samples for testing. We call meetings with the operating people and the sales people

and show the samples. We may smell of the dilutions and taste them, taste the samples. We also send samples usually to the bacteriological department for bacteria counts, and we consider the bacteria counts usually when we make the decision as to which ones are satisfactory.

2837 Q. When you had these meetings, Mr. Rinehart, that you referred to, were representatives of the purchasing department usually present?

A. Yes, that is right.

Q. How were decisions as to sources of supply made in relation to these meetings?

A. If there was any difference in the samples, why we would usually pick out the best one and inform the purchasing department that that was the approved sample for purchase.

If there wasn't much difference, why we might consider two samples, two or three samples good and they could then buy whichever one they could buy at the best advantage.

Q. By advantage you refer to price and service?

A. Yes, sir, and delivery.

Q. And was that procedure which you have just been describing followed generally in the years 1953 through 1958?

A. Yes, sir.

Q. Would that procedure have been followed during these years in relation to dehydrated onion and garlic?

A. Yes, sir.

Q. What part did you personally play in this process, particularly in relation to dehydrated onion and garlic?

2838 A. I prepared the samples for testing and supervised the testing and arranged for the meetings.

Mr. Walker: These exhibits will be marked as Respondent's Exhibits 375, 376, 377, 378-A and B and 379-A and B.

(Said documents were marked Respondent's Exhibits Nos. 375, 376, 377, 378-A and B, and 379-A and B, respectively, for identification.)

Mr. Walker: These are Respondent's Exhibits 375 to 379-A and B for identification.

By Mr. Walker:

Q. Would you please describe these documents in general terms, Mr. Rinehart?

A. These are copies from my service notebook in which I keep records of a routine nature.

Q. These are copies of pages from those books, is that right?

A. That is right, from several books.

Q. Did you make these entries, Mr. Rinehart?

A. Yes, sir.

Q. Are these books kept in the regular course of your work as a research chemist for Swift & Company?

A. Yes, they are kept as a regular service. I wouldn't call them— they are not my research notebooks, they
2839 are my service books, that is what I call them.

Q. Do you have those books with you, Mr. Rinehart?

A. I do.

Q. May I see them, please?

A. Yes. (Handing books to counsel.)

Q. These are the service work books?

A. Yes.

Mr. Walker: These are the service work books that Dr. Rinehart testified he kept in the regular course of business, and from which we have made copies as to certain pages.

I would like to offer in evidence these exhibits, and the books are available for inspection by counsel supporting the complaint.

Mr. Hays: No objection.

Hearing Examiner Kolb: There being no objection, the

documents will be received in evidence as Respondent's Exhibits 375, 376, 377, 378-A and B and 379-A and B.

(Said documents, heretofore marked Respondent's Exhibits Nos. 375, 376, 377, 378-A and B and 379-A and B, respectively, for identification, were received in evidence.)

By Mr. Walker:

Q. Now let us take first Respondent's Exhibit 375,
2840 Mr. Rinehart, which contains entries dated during 1953.

Would you please describe the entries under date of October 1, 1953?

A. This is a meeting with Mr. J. J. Parker of the operating department, Mr. T. P. Hawkins of the purchasing department and myself. We rated our opinion of the onion powder and garlic powder. We had the bacteria counts of the samples.

Mr. Evans came over the next day, and voted his opinion and Mr. Keefer came over on 10-8. He picked Puccinelli's garlic as the best. Mr. Parker and Mr. Teske were informed and said, "Okay."

So it looks like from that meeting that we had selected Puccinelli's garlic as the best and Basic's onion powder as the best.

Q. All of you apparently agreed that Basic's onion was best, is that right?

A. That is right.

Q. And three people picked Puccinelli's garlic as best, but only one person, Mr. Evans, picked Gentry's garlic as best, is that right?

A. That is right.

Q. Now these evaluations affected Swift's purchases of dehydrated onion and garlic for what year, Mr. Rinehart?

2841 A. Well, after this meeting the purchasing department would probably buy those for the year 1954.

There might be a few months, though, of '53 that would be affected. I would say October, November, December.

Q. Let's take next Respondent's Exhibit 376.

Would you please describe the entry dated 11-30-54?

A. Mr. Collins, Mr. Basner and myself examined onion powders and picked Basic's onion as the best and Puccinelli's garlic as the best.

Q. Why, then, Mr. Rinehart, was some onion and garlic bought from Gentry in 1955 as is shown in this data sheet, Respondent's Exhibit 374?

A. That was onion?

Q. Onion and garlic.

As you will see from this exhibit, in 1955 3,400 pounds of onion and 11,790 pounds of garlic were bought from Gentry. We do not have the data on the amount of purchases from Basic in that year.

A. The Gentry garlic was rated fairly good. This covers the crop year—I mean, the crop that was grown in 1954, so we may have had some 1955 crop that was bought in '55 at the end of the '55 year, and that would go into the 1955 year of the next year's crop.

2842 Q. Did your purchasing department in these meetings discuss the desirability of having two sources of supply?

A. Oh, yes.

Q. Could that have been a factor in the purchase from Gentry in 1955?

A. Yes, it might have been.

Q. Taking next Respondent's Exhibit 377, would you please describe or would you please explain the entries commencing with the one dated 1-12-55?

A. This gives the bacteria counts of onion and garlic powder from three sources. There is a second sample. Second samples were also obtained.

We got some high bacteria counts from Basic, so we got

a second sample and that was reported on 12-22. It also shows a little lower count but still high.

Puccinelli's onion and garlic were both high.

We had a meeting on 1-5-56. The operating people and the sales people were present. It was agreed at this meeting to buy Gentry's onion powder and Basic's garlic powder.

A resample of Basic's onion also showed a high count.

Q. What year's purchases of dehydrated onion and garlic would be affected by these tests and meetings?

A. This would be 1956.

2843 Q. Now Respondent's Exhibit 374 indicates that a considerable quantity of dehydrated onion was purchased from Basic during 1956. Why was that?

A. Part of that could have been from the other end of the year. These contracts overlap. They are not annual years, they are usually crop years.

They also like to keep more than one source to keep some competition.

Q. Now, Mr. Rinehart, did you examine your service book that you have described to determine whether there were any entries in 1956 that would affect purchases as you have said it would in late 1956 or 1957?

A. We didn't have one at the end of 1956. It looks like we had been buying from both people and considered the sources satisfactory, so we didn't have samples at that time. At least I don't have them in my book.

Q. Would you take next Respondent's Exhibit 378-A and B and would you please explain the entries on this exhibit commencing with that dated July 29, 1957?

A. This gives the bacteria counts of Basic and Gentry onion powders, and also Basic and Gentry garlic and Puccinelli garlic.

The meeting was held on July 30th. Gentry's onion was picked as best and Basic's garlic and Puccinelli was picked as good.

2844 Q. Would you continue, Mr. Rinehart, just right down the line on these various entries?

A. Our specification had been 200,000 of bacteria per gram as was considered satisfactory, and it looks like we had a new limit.

That was raised at February 1st of 1957 to 300,000. We had trouble meeting the 200,000 bacteria specification, so we raised the specification. There was also a change in the culture media that was used in testing these powders.

Mr. Hadacek was the purchasing man at that time and he wanted to combine orders for 10,000 pounds to save two cents on freight. We got new samples of Basic's onion and Gentry's garlic.

Q. We will pass the entry dated 8-2-57 relating to Sokol & Company and go down, please, to the one dated 8-12-57.

A. It looks like that is the second sample and Basic's onion still had a high count; Gentry's garlic was satisfactory.

Q. Now skipping the next entry and turning to Respondent's Exhibit 378-B, would you explain those entries on page 76, just the entry for 8-29-57, please?

A. This really doesn't apply. This doesn't apply to a comparison of Gentry's or Basic's garlic powder. It
2845 is a paste that I was comparing to Basic's powder.

Q. I see.

What about the entry on the next page, page 77?

A. We have Puccinelli's onion powder has a high count; Basic's onion powder has a high count.

There was an argument at that time about the bacteriological methods. Basic reported a count of 85,000 where we got a million seven hundred thousand, and that was due partly to different media and we took our bacteriological department's results as being correct.

2846 Q. Overall these entries indicate which company had the best onion?

A. I would say after 1956 that we had less trouble with Gentry's onion powder than Basic's.

Q. And what about the garlic?

A. There is not too much difference in garlic. They were both satisfactory as to bacteria count.

Q. What year's purchases of dehydrated onion and garlic would be affected by these tests that you have just described were made during 1957?

A. That would be the end of 1957 and 1958.

Q. Would you turn then, Mr. Rinehart, to the last exhibit, Respondent's Exhibit 379-A and B, and would you explain the entries on that exhibit that relate to dehydrated onion and garlic?

A. This gives the bacteria counts on three onion powders. Gentry was the best by far. Basic's onion powder would be borderline and Puccinelli's unsatisfactory.

On garlic, Gentry is the best; Basic's would be satisfactory and Puccinelli unsatisfactory. Basic's powders are the whitest, and our panel test on the 18th indicated not much difference in odor and flavor of garlic.

The Puccinelli onion powder was the poorest.

2847 7-21 is just a continuation of holding these solutions at room temperature and Gentry's garlic had the best odor.

On 7-29 there is also some bacteria counts. Basic's onion powders were high and when they were treated with ethylene oxide as a special sample, had a low count.

The same thing is shown for garlic powders.

Gentry's onion powder had a low count.

Q. Continuing on to Respondent's Exhibit 379-B, would you explain those entries?

A. There is a second sample of garlic from Puccinelli. It had a satisfactory count.

Garlic puree does not apply to this. Those other pages are garlic puree which does not apply to this case.

Q. Mr. Rinehart, based upon your experience and participation that you have described in connection with the purchasing of dehydrated onion and garlic by Swift & Company, what in your opinion has the effect that Consolidated is a customer of Swift & Company had on the volume of your company's purchases of dehydrated onion and dehydrated garlic?

A. None.

Mr. Walker: No further questions.

2848 *Cross Examination*

By Mr. von Brand:

Q. Dr. Rinehart, are the tests reported on Respondent's Exhibits 375 through 379-A and B all the tests which you made on which your purchasing decisions for onion and garlic were based in the years 1954 through 1958?

A. I believe so.

Q. Could you tell us what you mean by a bacteria count as it is reported on these tests and why it is important?

A. Bacteria counts reflect the cleanliness of preparing the products. Decayed onion or garlic would contribute to high bacteria counts. So by keeping the counts low, we are assured of getting good quality products and not having spoilage due to bacteria in our sausage products.

• • •

2849 Chicago, Illinois
February 24, 1961

2850 PROCEEDINGS

• • •

WILLIAM R. STIMSON was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name?

A. William R. Stimson.

Q. Where do you live, Mr. Stimson?

A. Detroit, Michigan.

Q. What is your occupation, sir?

A. Sales manager for Aunt Jane's Foods.

Q. That is the company that was formerly the J. J. Gielow & Sons?

A. Yes. That was until about last September.

Q. You say the name was changed last December?

A. September.

Q. September, I am sorry.

Q. In what business is your company engaged?

2851 A. Manufacturing pickles.

Q. Where is your principal office?

A. Dearborn, Michigan.

Q. Where is the plant?

A. Croswell, Michigan.

Q. Did your company formerly have plants at any other location?

A. One in Adel, Georgia, and one in Detroit, Michigan.

Q. When did you close the plant in Detroit, Michigan?

A. In 1951.

Q. When did you close the plant in Adel, Georgia?

A. 1956.

Q. What kind of pickles does your company pack?

A. All kinds, a full line of pickles.

Q. Do they also pack what is known as fresh pack pickles?

A. Yes, fresh pack.

Q. Will you tell us how you pack your pickles?

A. We pack them with raw cucumbers, they are put in the jar; they are cut, washed and put in a brine, and are

kept in the jar and are pasteurized.

Q. How long have you been sales manager of your company, sir?

A. Ten years.

Q. To whom are your products sold, Mr. Stimson?

2852 A. Generally in chain stores, wholesale groceries, all types.

Q. Do you sell to institutional users?

A. Direct to institutions in a very few cases.

Q. How do you market your products, Mr. Stimson?

A. We employ our own salesmen and food brokers.

Q. Under what labels do your market your products?

A. Primarily the Aunt Jane label, and 10 per cent under our customer's labels, or private labels.

Q. During what period of time has your company sold any of your products to any units of Consolidated Foods Corporation?

A. Since 1947.

2853 Q. Under what labels have you sold your products to Consolidated?

A. Their labels and our labels.

Q. What was the approximate amount of your sales to Consolidated in 1947?

A. About $400,000.00.

Q. What was the approximate amount of your total sales in that year?

A. About $3,000,000.00.

Q. What was the approximate volume of your sales to Consolidated in 1958?

A. About $75,000.00.

Q. What was the approximate volume of your total sales in 1958?

A. About $5,000,000.00.

Q. This indicates, Mr. Stimson, that your sales to Con-

solidated have decreased from about $400,000.00 in 1947 to about $75,000.00 in 1958.

What has accounted for that decrease?

A. Mostly because Consolidated found fresh pack pickles were a good selling item, and they made more of their own as time progressed, they increased their production.

Q. Where did they make their own?

A. In West Chicago, I believe.

2854 Q. In former years were most of your sales to Consolidated under their labels?

A. Yes.

Q. Does Consolidated now buy any of your pickles under the Aunt Jane label?

A. Yes, they do.

Q. Would you please describe how you use onion and garlic in your pickles?

A. We use a concentrated, flavored concentrate. The onion is just for appearance, the dehydrated onion and garlic that we put in the fresh pack pickles. We use the concentrated onion for the flavoring. The consumer seems to expect something in the way of spice and garlic, and that is just for the eye.

Q. To what extent do you rely on dehydrated onion and garlic to supply flavor?

A. None.

Q. You referred to the product that you used to give flavor as a concentrated onion. Is that a natural juice or synthetic?

A. Mostly synthetics. The naturals haven't worked out too well.

Q. How do you use this synthetic product, what do you actually do?

A. We make an emulsion with other spices, and
2855 put two drops in each jar before capping.

Q. From what source do you obtain the synthetics?

A. From Stange and Fritzer.

Q. Are you familiar with the making of decisions as to your sources of supply for onion and garlic since 1950?

A. I am.

Q. How have you been familiar, or how have you become familiar?

A. We are a small organization, and almost all of the purchasing decisions are generally discussed.

2856 Mr. Walker: I would like to have marked Respondent's Exhibit 380 for identification.

(The document referred to was marked Respondent's Exhibit 380 for identification.)

By Mr. Walker:

Q. This is Respondent's Exhibit 380 for identification, and it is a tabulation of purchases of dehydrated onion and garlic by Aunt Jane's Foods, formerly known as the J. J. Gielow & Sons Company.

The Gentry data on this exhibit came from the Service Bureau Corporation. The source of the Basic's data came from Commission's Exhibit 219; as is apparent from the exhibit, the only items included are dehydrated items, not the other types for flavoring that this company uses.

By Mr. Walker:

Q. Has your company purchased any dehydrated onion and garlic from Basic since 1953?

A. No.

Mr. Walker: I will offer the exhibit marked Respondent's Exhibit 380 for identification into evidence as Respondent's Exhibit 380.

Mr. von Brand: No objection.

Hearing Examiner Kolb: The exhibit will be received as Respondent's Exhibit 380.

2857 (The document referred to, heretofore marked Respondent's Exhibit 380 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. Stimson, how long have you used this synthetic onion and garlic product?

A. We started experiment with that about 1950, 1949 or 1950.

Q. What type of onion and garlic did you use before you used this synthetic product to provide the flavor in your pickles?

A. We used onion juice, actual onion juice that we put in the barrel.

Q. Was there a time that you used raw onion and garlic to get the pieces of onion and garlic that you put in the pickles for appearance?

A. Yes.

Q. When did you change from the raw to the dehydrated onion and garlic to get the pieces that you put in the pickles for appearance?

A. 1948.

Q. What company did you work with in the conversion from raw to dehydrated onion and garlic?

A. Basic.

Q. Why did you work with Basic?

2858 A. Most of the development work was done in Adel, Georgia, in that plant. The Basic salesmen called on us and suggested it. They said they would warehouse stock in Atlanta, which was close to us. We had trucks in Atlanta almost every day, and they could pick it up.

Q. Did Gentry have a warehouse there?

A. No.

Q. Why did you continue to buy dehydrated onion and garlic from Basic thereafter?

A. Well, the item was not of great importance to us other than for appearance, and there was no reason to buy from anybody else. We just went along with them.

Q. Did the location of the warehouse in Atlanta have anything to do with it?

A. Yes. That was of prime importance in our southern operation.

Q. To what extent were you concerned about the source of your dehydrated onion and garlic?

A. We were not concerned about it at all, as long as they were reliable.

Q. Why not?

A. Because the product was for appearance only, and there was no flavor value as far as we were con-
2859 cerned.

Q. Now, Respondent's Exhibit 380 shows that you bought almost all of your dehydrated onion and garlic from Basic up until 1953. Then it shows that your company purchased all of its dehydrated onion and garlic from Gentry in the years 1954 to 1958. Why did you buy exclusively from Gentry during those years?

A. I was in Chicago calling on Consolidated and their buyer, I think it was Walter Wojack at that time, said to me, "Why don't you get the fellow from Gentry off my back? He is hounding me to have you buy the onion and garlic from him."

So I returned to Detroit and I told Les of my conversation, and I told him that the price is the same, so "Let's get the fellow off of Wojack's back." And that is what we did.

2860 Q. So you gave Gentry the business?

A. That is right.

Q. Did this have any effect on the volume of your sales to Consolidated?

A. No.

Q. Did they continue to go down?

A. Yes.

Q. I will show you Commission's Exhibit 163-A and B,

Mr. Stimson, and this is a memorandum written by Bill White of Basic Vegetable Products, Inc. at that time, dated March 22, 1954, in reference to your company.

Would you read that memorandum, please?

A. Yes.

Q. Have you finished, Mr. Stimson?

A. Yes.

Q. Directing your attention, Mr. Stimson, to the fourth paragraph of this memorandum, and the second sentence of that paragraph, it states:

"The reciprocity situation was stated clearly to L. J. Gielow by the Gentry's sales manager, Mr. Marty Kraham and to Gielow's sales manager by executives of the various divisions of Consolidated Grocers before they would agree to contract for private label packs."

Did anyone ever say to you that you would have to
2861 agree to the reciprocity before Consolidated would agree to contract for private label packs?

A. No.

Q. And you are the sales manager that is referred to in this memorandum, Mr. Stimson?

A. Right.

Q. Referring to the next paragraph, Mr. Stimson, it states:

"I have used a number of approaches to the problem, and pointed out, for instance, the switch meant tampering with Gielow's very successful formula and possibly affecting quality."

Would a change from Basic to Gentry have affected the quality of your product?

A. No, no way.

Q. Why is that?

A. The products are almost identical and are used just for appearance.

Q. Mr. Stimson, I direct your attention to the first paragraph which states:

"Gentry has been using the reciprocity threat very heavily on this account."

Did anybody use the reciprocity threat very heavily to you?

A. No.

2862 Q. To your knowledge did anybody use the reciprocity threat very heavily with anybody else in your company?

A. No.

Q. And now, turning the page, to the second page of this memorandum, I direct your attention to the third paragraph which states:

"Mr. Gielow was most clear in stating it was not a matter of price, even if we were several cents lower, it wouldn't change the reciprocity situation."

Is it true, Mr. Stimson, that even if Gentry were higher in price, Gielow would have bought the dehydrated onion and garlic from Gentry?

A. That is not true.

Q. Well, Mr. Stimson, in statements as made in Mr. White's memorandum, if those statements are not true, why was he told these things?

A. Well, Mr. Gielow had been buying from Basic for quite a while and wanted to soften the blow, so Mr. White would have an answer to his organization. It would give him a soft answer, and that is the reason.

2863 Q. Did you ever discuss this matter of reciprocity with Marty Kraham of Gentry?

A. Yes, Marty Kraham brought the subject up several times, but we didn't pay any attention to him.

Q. Was that conversation before or after your contact with the buyer for Consolidated Foods Corporation?

A. That was before.

Q. And after your conversation with Marty Kraham

about reciprocity, your company continued to buy from Basic?

A. That is right.

Q. What was the conversation with Marty Kraham?

A. I don't recall it exactly. Marty Kraham came to our office and said, "You are doing a lot of business with Consolidated, you should buy from us."

And we had never entered into any agreement like that, or would with him.

Q. Now, did you have any other conversations or communications on this subject?

A. No.

Q. Did you also use capsicums in your pickles?

A. Yes.

Q. Did you purchase any of your capsicum requirements from Gentry?

A. No.

• • •

2864 *Cross Examination*

By Mr. von Brand:

Q. Mr. Stimson, what were Gielow's sales to Consolidated Foods Corporation in 1950?

A. 1950? My recollection would be around $350,000.00.

Q. And in 1951?

A. Probably around $300,000.00.

Q. And in 1952?

A. Probably $250,000.00. I am just guessing at these.

Q. Well, the figures that you gave from 1947, for 1947 and 1950 were not guesses?

A. No, those were reasonably close.

Q. Are the figures you are now giving us reasonably close?

A. Yes, I think so.

Q. Can you give me the figure for 1953?

A. Probably $200,000.00.

Mr. Walker: If you want the accurate figures, we have them.

2865 The Witness: Do you have them?

Mr. von Brand: Do you have them? I would like to look at it.

Mr. Walker: Do you want to look at it?

Mr. von Brand: Yes.

Mr. Walker, could I have a copy of this?

Mr. Walker: Yes, I will get one for you.

By Mr. von Brand:

Q. Mr. Stimson, who was the Consolidated buyer who told you that the Gentry salesman was hounding him with respect to your account?

A. I would have to give you two names, and it was probably one of them. I can't recall which.

It was either Walter Wojack, or Walter Heintz.

Q. And from what division?

A. Monarch.

Q. In what year did that conversation occur?

A. 1947—pardon me, 1953, I believe.

Q. In 1953?

A. Yes.

Q. Was this the only conversation of that nature that you had with Consolidated buyers?

A. Yes.

Q. Are you the only person in your organization
2866 that talks to Consolidated buyers?

A. Yes. Now, wait a minute. You said talks to, and I am sure other people in our organization have talked to them; but I am the only one that does business with them.

Q. You are the only one in your organization that discusses business matters with Consolidated officials?

A. Yes.

2867 Q. Who in your organization makes the purchasing decisions?

A. Well, it would depend on what the items are.

Q. Well, let us take dehydrated onion and garlic.

A. Mr. Gielow.

Q. Is that J. J. Gielow?

A. No, L. J. Gielow.

Q. Are you in a position to state that Mr. L. J. Gielow never had any conversations with officials of Consolidated Foods about purchases of dehydrated onion and garlic?

A. I am.

Q. You are?

A. Yes.

Q. Mr. Stimson, did you feel it was good business to get the Gentry representative off the Consolidated buyer's back?

A. Did I feel it was good business? Oh, I don't think I would put it that way, we just felt it was the friendly thing to do.

Q. Did you feel it was good business to be friendly with your customers?

A. Normally, yes.

Mr. von Brand: Mr. Walker, could I have the sales data sheet again?

2868 Mr. Walker: Yes. (Handing document to counsel.)

By Mr. von Brand:

Q. Mr. Stimson, what is Adel Canning & Pickling Company?

A. That was a subsidiary of J. J. Gielow & Sons at one time.

Q. That was a subsidiary in 1953?

A. Yes.

Q. What was the total sales of J. J. Gielow & Sons and the subsidiaries in 1953?

A. In 1953, probably four and a half million dollars.

Q. In 1953, Mr. Stimson, did you consider Consolidated an important customer?

A. Yes, we did.

Q. In point of volume of purchases how did Consolidated rank among your customers in 1953?

A. I think they were second.

Q. Second?

A. Yes.

Q. In 1953, as I understand these figures, your total sales to Consolidated were two hundred ninety-three thousand dollars—excuse me—$293,699.00.

Now, of those sales, what percentage were private label sales?

2869 A. Oh, this is merely a guess, but 95 per cent private label.

Q. Did you consider that it was an advantage to sell under your own, or a private label?

A. We consider it an advantage to sell under our own label.

Q. What is the reason for that, sir?

A. We spend a lot of money advertising it.

Q. Are there any other advantages?

A. Not particularly.

Q. Do you feel that you are protected by a consumer franchise in your own label?

A. If you advertise it strongly enough, you are.

Q. In the case of your own products?

A. Yes.

Q. In what years did Marty Kraham call on you, sir?

A. Again, this is my best recollection, 1951 and 1952, and probably 1953 also.

Q. Mr. Stimson, am I correct in my understanding that you switched from raw onion to dehydrated onion in 1948?

A. About that.

2870 Q. Can you tell us the differences involved in processing the raw onion and the dehydrated onion in the manufacture of your products and the advantages,

if any, of making the switch?

A. The handling of raw onion or raw garlic also, they are similar, they are synonymous—they are used only for appearance, and we had to have a bunch of girls just to put them up, and they had to put them in a jar by hand.

When you have dehydrated onion and garlic, you are able to take it out of the can and put it in the jars, you use an automatic slicer, and you put it in the jar that way. There is quite an economy.

Mr. von Brand: I have no further questions.

Redirect Examination

By Mr. Walker:

Q. Mr. Stimson, I just want to clear up a couple of minor things.

The "Les" that you referred to in your direct examination is the same as Mr. L. J. Gielow that you referred to on your cross examination?

A. That is right.

Q. Did you personally participate in the decisions to shift from Basic to Gentry as a source of supply for dehydrated onion and garlic?

2871 A. I did.

Q. Are you certain as to the time when you had the conversation with the Consolidated buyer, about which you have testified?

A. I am not certain of it.

Mr. Walker: That is all.

Mr. von Brand: Just a moment, Mr. Stimson.

Recross Examination

By Mr. von Brand:

Q. You said you were uncertain as to the time of this conversation? Does that mean you are uncertain whether it was in 1953, or you are uncertain as to the point of time in 1953?

A. As to the point of time, I don't recall the month or the day.

Q. But it was in 1953?

A. Yes.

• • •

2872 WILLIAM J. FRANKLIN was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

Q. Would you state your full name?

A. William J. Franklin.

Q. Where do you live, sir?

A. 6028 North Francisco, Chicago.

Q. What is your occupation, sir?

A. I am department manager for Armour and Company.

Q. In what division of Armour and Company are you employed?

A. The purchasing division.

Q. Where are the general offices of Armour?

A. 401 North Wabash.

Q. That's Chicago, Illinois?

A. Chicago.

Q. Where are Armour's plants located?

A. In various cities throughout the United States.

Q. In what business is Armour and Company engaged?

A. Meat packing, food processing, and non-food items.

Q. Under what labels are Armour and Company food products sold?

2873 A. Star, Banner, and in some cases, private labels.

Q. To whom does Armour and Company sell its food products, Mr. Franklin?

A. Retail groceries, wholesale groceries, chains and institutions.

Q. Through what channels do you market your products?

A. Through salesmen.

Q. Do you use brokers?

A. There are some, I believe.

2874 Q. Have you at our request obtained information about sales to Consolidated Foods Corporation?

A. In a very meager way, yes.

Q. During what period of time have Armour sold any products to any units of Consolidated Foods Corporation?

A. At least since 1950, probably before.

Q. What was the approximate amount of your sales, Armour & Company sales to Consolidated in 1958?

A. 1958, I would have to make a guess at it, but I would say maybe a million dollars in 1958.

Q. What was the approximate amount of Armour's total sales in 1958?

A. About one billion, eight hundred million dollars.

Q. Mr. Franklin, would you please describe your duties as department manager in the Purchasing Division of Armour & Company?

A. I purchase and supervise the purchases of spice, food products, automatic equipment, material handling equipment, and metal containers.

Q. In which type of products does Armour & Company use dehydrated onion and dehydrated garlic and capsicums?

A. Canned food, and in sausage.

Q. Who has determined the source of supply of dehydrated onion and dehydrated garlic and capsicums for

2875 Armour & Company since 1950?

A. I have.

Q. In the purchasing of products done for Armour, is the purchasing done by each plant or by the central office?

A. By the central office, although there are some cases where the plants may purchase in an emergency.

Mr. Walker: I would like to have this document marked as Respondent's Exhibit 381 for identification.

(Said document was marked Respondent's Exhibit No. 381 for identification.)

By Mr. Walker:

Q. I show you Respondent's Exhibit 381 for identification, which is a tabulation of purchases of dehydrated onion and garlic by Armour & Company.

The source for the Gentry data is the Service Bureau Corporation, and the source of the data for Basic is from Commission's Exhibit 219, except for 1958.

The data for 1958 for Basic and Puccinelli comes from Armour records checked out, as I understand it, with the Puccinelli office in Chicago.

I would like to state for the record that one problem in connection with the Basic data is that Commission's Exhibit 136-C and D, which are the cards that were 2876 placed in evidence by the Government from the Basic files when we were in San Francisco differ from the amount of pounds shown on the exhibit that was prepared by Basic and placed in evidence by them in San Francisco for the year 1953.

Commission's Exhibit 136-C and D shows 45,000 more pounds of onion than Basic put on its exhibit; 16,000 more pounds of garlic than is shown on Basic's exhibit, that is, Commission's Exhibit 219. Accordingly this total, according to Basic's actual records as placed in evidence, this 1953 total should be increased by the amounts that I have stated, I believe.

Mr. von Brand, would you care to stipulate that the figure for 1953 as shown on Commission's Exhibit 219 should be changed to accord with the data from Basic's books that they actually put in evidence?

Mr. von Brand: I would like to take time to check, and then we will discuss the matter.

Mr. Walker: Surely.

By Mr. Walker:

Q. Mr. Franklin, referring to Respondent's Exhibit 381 for identification, where was the data showing the amount of purchases from Puccinelli in the years 1956 to 1958, and purchases from Basic in 1958 obtained?

A. From our accounting records, voucher drafts,
2877 particularly.

Q. Those records go back to 1954?

A. 1954, I believe, yes.

Q. Who gathered that data?

A. Our accounting department.

2878 Q. Would you be willing to make the records from which the data was obtained available to the government for their inspection?

A. Yes.

Mr. Walker: I will offer Exhibit 381 into evidence as Respondent's Exhibit 381.

Mr. von Brand: No objection.

Hearing Examiner Kolb: Respondent's Exhibit 381 will be received in evidence.

(The document referred to, heretofore marked Respondent's Exhibit 381 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. Franklin, who was Armour and Company's original supplier of dehydrated onion and dehydrated garlic?

A. I believe it was Gentry.

Q. Why did Armour and Company purchase the major portion of its requirements of dehydrated onion and dehydrated garlic from Basic in the years 1949 to 1955?

A. Because they had a product that was acceptable at a price that was better than we could obtain elsewhere.

Q. Why have you also purchased from Gentry over
2879 the years?

A. We have kept the channel open, had a second

source of supply. They had a good salesman, who was on the ball, and who we liked, who we favored with an order now and then.

Q. Why have you not bought more of your requirements from Gentry?

A. Well, we did have some problems with them along the line, in the case of rejected shipments. We had several shipments that were rejected.

Q. Go ahead.

A. I just wanted to say that that kind of slowed things down.

Q. Was Gentry also able to meet Basic's price?

A. No.

Q. Respondent's Exhibit 380 shows that Armour purchased substantial quantities of dehydrated onion and dehydrated garlic from Puccinelli in the years 1956 to 1958. Why is that?

A. They came up with a product that was acceptable to us, at a price that was attractive.

Q. Now, Mr. Franklin, have any Gentry personnel discussed with you the fact that Armour and Company is a supplier to Consolidated Foods Corporation?

A. Yes.

2880 Q. With whom did the discussion take place?

A. Mr. Strecker, Gentry's salesman.

Q. When was that conversation?

A. Right after Consolidated Foods Corporation took over Gentry about 1951, I guess.

Q. What was the discussion on that occasion?

A. He called and stated that Consolidated had taken them over, and he would like me to meet their Mr. Sarther, president of Sprague-Warner. He suggested that we have lunch together, and I said, "All right."

Q. What happened thereafter?

A. They came over to Armour's office and had lunch,

and I introduced them to several of Armour's people.

Q. During these discussions on the occasion when Mr. Strecker and Mr. Sarther came to lunch, was there any mention made of the relationship between Armour sales to Consolidated and Armour purchases of dehydrated onion and garlic from Gentry?

A. No.

Mr. Walker: Would you please mark these as Respondent's Exhibits 382 and 383-A and -B.

(The documents referred to were respectively marked Respondent's Exhibits 382 and 383-A and 383-B for identification.)

By Mr. Walker:

2881 Q. I show you Respondent's Exhibit 381 and 382.

Respondent's Exhibit 382 is a letter from Mr. Sarther to Mr. Specht, president of Armour, on September 23, 1953.

Respondent's Exhibit 383 is a letter from Mr. Specht to Mr. Sarther dated October 6, 1953.

These are copies of documents taken by the Federal Trade Commission investigator from the files of Consolidated Foods Corporation at the time of its investigation.

I would like to place these documents in evidence, if counsel has no objection.

• • •

2882 Mr. von Brand: No objection.

Hearing Examiner Kolb: The documents will be received in evidence as Respondent's Exhibit 382 and 383-A and -B.

(The documents referred to, heretofore respectively marked Respondent's Exhibits 382 and 383-A and 383-B for identification, were received in evidence.)

2883 By Mr. Walker:

Q. Mr. Franklin, referring to Respondent's Exhibit 383-A and B, which is Mr. Specht's letter to Mr. Sarther, did you see this letter at or about the time it was written?

A. Yes.

Q. Would you please explain the circumstances surrounding your seeing this, and what knowledge you had of the preparation of this letter?

A. They asked me to get some information together so they could respond to Mr. Sarther's letter, which I obtained from our spice department.

Q. What information did you supply?

A. Well, we supplied the number of rejections that we had, and also specifically stated as to the number, no, not the number, but as to the rejections we had.

Also that we were placing our business on the basis of price and service and quality.

Q. I show you Commission's Exhibits 135-A and B, which is the memorandum from Mr. Benzies, of Basic Vegetable Products Company to Mr. Hume and Mr. Sparling of that company, dated June 27, 1955.

Would you read this, please, to yourself, just glance through it and familiarize yourself with the contents?

2884 A. Yes.

Q. Have you finished, Mr. Franklin?

A. Yes.

Q. Directing your attention, Mr. Franklin, to the fourth paragraph of this memorandum, and particularly the first sentence which states, and I quote:

"Mr. Whittingham told us the reason he had not ordered ground onion from us for the past month or so was because Consolidated had gone direct to Mr. Specht, president of Armour & Company, and put pressure on him to have Armour & Company use Gentry's onion and garlic."

Does that sentence accurately state the facts?

A. No.

Q. Well, let me ask you this, Mr. Franklin:

Was anything ever said about pressure to you in this relation?

A. No.

Q. Did any of your superiors tell you to give business to Gentry?

A. No.

Q. Did any of your superiors ask you to give business to Gentry?

A. No.

Q. Directing your attention to the second sentence 2885 of the fourth paragraph, Mr. Franklin, it states:

"Mr. Specht took this matter up with Mr. Franklin and he, Mr. Franklin, gave Gentry an order for 2,000 pounds of ground onion for delivery to their Chicago plant."

Did you give any order to Gentry for dehydrated onion and garlic as a result of your conversation that you described with relation to Mr. Specht and Mr. Sarther's correspondence?

A. No.

Q. Or with relation to the conversation you described earlier with the Gentry salesman and Mr. Sarther?

A. No.

Q. Now, Mr. Franklin, I would like to refer you back to Respondent's Exhibit 382, to get the time sequence in order.

This letter is dated September 23, 1953, and it states:

"Several years ago I had the pleasure of having lunch with Mr. Franklin, and at that time I had with me our representative of Gentry sales organization in Chicago."

Is that the luncheon you were referring to earlier?

A. Yes, that is it.

Q. So, in 1951 you had this lunch with Mr. Strecker 2886 and Mr. Sarther, and then roughly two years later there was this correspondence between Mr. Specht and Mr. Sarther; is that right?

A. You had better repeat that again.

Q. Well, as I understand it, you had the lunch with Mr.

Strecker and Mr. Sarther in 1951 at about the time of the acquisition?

A. Yes, sir, that is probably right, yes.

Q. Then about two years later, in September of 1953, there occurred this correspondence between Mr. Specht and Mr. Sarther?

A. Yes, that is right.

2887 Q. Now do you have any knowledge of any other contacts between Consolidated and Armour similar to the Specht-Sarther correspondence after that time?

A. No.

Q. Now, Mr. Franklin, Mr. Sparling, the sales manager of Basic Vegetable Products, Inc., has testified that in his opinion Basic lost sales to Gentry with Armour because of the relationship between Gentry and Consolidated Foods Corporation.

Do you have any comment to make on this testimony?

A. It was not true.

Q. Have you ever placed any orders with Gentry for dehydrated onion or garlic because Consolidated is a customer of Armour's?

A. No.

Q. What effect has the fact that Consolidated is a customer of Armour's had on the volume of your purchases of dehydrated onion, dehydrated garlic and capsicums from Gentry since 1950?

A. None.

Q. Has Armour used any type of onion or garlic other than raw or dehydrated, Mr. Franklin?

A. Yes.

Q. What product is that?

A. They used onion juice at one time.

2888 Q. From what source did you obtain the onion juice?

A. Vegetable Juices, Incorporated.

Q. When did you stop using that product?

A. Oh, I think we used that up to a couple of years ago. Gradually it just went out of the picture.

Q. What product did you use in place of the onion juice?

A. Onion powder.

Q. Approximately what volume of capsicums does Armour use each year?

A. Oh, upwards of a hundred thousand pounds.

Q. Have you purchased any of your capsicums from Gentry in the years '51 to '58?

A. Very little.

• • •

By Mr. von Brand:

Q. Mr. Franklin, in what years did the Armour Company reject Gentry dehydrated onion and garlic?

A. Well, there were some rejections that I know of 2889 in the years around the 1951 period, and then there were some others around in 1955.

Most of them were in that earlier period and I just couldn't tell you which years it would encompass.

Q. It could have been in '51 and '52?

A. It could, yes.

Q. How about 1953, '54 and '55?

A. I can't remember.

Q. You don't remember?

A. Specifically, no. I don't remember that. I do know or I can remember pretty well '51 and I think '52, and about '55.

Q. But as far as you know, there could also have been rejections in 1953 and '54?

A. Oh, yes, there could have been.

Q. What were some of the reasons for these rejections, sir?

A. In some cases I believe there was an excess of moisture; sometimes the screening was not right.

2890 Q. How about bacteria count?

A. I am not familiar with that. That is a little out of my realm and I couldn't really say whether any of it was rejected for bacteria count.

Q. Do you purchase on the basis of the laboratory reports?

A. We accept the material on the laboratory reports, yes.

Q. Do you familiarize yourself with the laboratory reports before you make purchases?

A. Only as to the fact that it is either acceptable or not acceptable.

Q. Who were the persons in Armour's laboratory testing dehydrated onion and garlic in the period 1951 to 1955?

A. That would probably have been R. E. Carlson.

Q. What is Mr. Whittingham's position with Armour?

A. He is no longer with us, but at that time, before he left he was running the spice department.

Q. Was that under your supervision, sir?

A. Oh, no. I have nothing to do with the supervision of the spice department.

Q. I see. You purchase in behalf of his department?

A. That is right.

Q. Would you have purchased more Gentry dehy-
2891 drated onion and garlic if Gentry had passed the laboratory tests more successfully than it did in the period 1951 to 1955, sir?

A. We might possibly, yes. It is conceivable that we would, yes.

Q. In other words, this was a factor which governed your purchase decisions?

A. You mean the rejection?

Q. Yes, sir.

A. Maybe I am a little bit mixed up.

Q. Let me rephrase it, then.

The fact that Gentry onion and garlic was rejected by your laboratory governed your purchasing decisions in the period 1951 to 1955?

A. Yes.

Q. And had Gentry onion and garlic not been rejected, you might conceivably have purchased more?

A. Yes, that conceivably might have been.

* * *

By Mr. von Brand:

Q. Mr. Franklin, can you tell us what Armour's 2892 sales were to Consolidated in the period 1951 to 1955?

A. Only in a general way, I would say, from information I have been able to gather merely by conversations, that it was probably around a half a million dollars.

Hearing Examiner Kolb: Is that a year or for the entire period?

The Witness: That would be a year.

* * *

2893 By Mr. von Brand:

Q. Mr. Franklin, do you deal directly with the Gentry salesman when he visits the Armour Company?

A. Yes.

Q. You personally?

A. Yes.

Q. Do you remember the name of the Gentry salesman in 1951?

A. That was Strecker, Charles Strecker, I believe.

Q. How about 1952?

A. I am not sure. I think it was still him.

Q. 1953?

A. Well, there you have — in '53 it might have been

Martin Kraham. It could have been Martin Kraham.

Q. Do you remember the period in which Martin Kraham visited you?

A. Yes.

Q. What years were those?

A. Well, it covered probably two or three years, I would say, in that area, '53 to '55.

Q. Were there any other Gentry salesmen visiting you at that time?

A. It seems to me a fellow by the name of Farrell called there in that period.

Q. And who is the present Gentry representative 2894 that visits you?

A. McGill, Thomas McGill, I believe his name is.

Q. Mr. Franklin, I direct your attention to Commission's Exhibit 135. Do you have that?

Hearing Examiner Kolb: Here is Exhibit 135-A and B, the letter of June 27, 1955.

The Witness: Yes.

By Mr. von Brand:

Q. That is the memorandum of Jim Benzies to Mr. Hume and Mr. Sparling dated June 27, 1955.

I direct your attention to paragraph 4. Paragraph 4 refers to a conversation between Mr. Whittingham and Mr. Benzies. Were you present at that conversation, sir?

A. No, I was not.

Q. Mr. Franklin, has there ever been any personal friction between you and representatives of Gentry that have called on you?

A. Personal friction? If you mean did I have any personal dislike—

Q. Yes.

A. I don't know. I would say my impression was that they were poor salesmen, that's about all that I could say. They were apt to get on your nerves.

Q. Mr. Franklin, is it Armour's policy that repre-
2895 sentatives of dehydrated onion and garlic suppliers are not to visit the laboratory without your clearance?

A. It has been sort of an unwritten policy. There is nothing set down in writing.

Q. Have you made suppliers aware of your wishes in that regard?

A. We have, yes.

Q. Should a supplier transgress that unwritten rule, would that create friction?

A. Well, I don't know whether it would create friction necessarily but it might make for a little bit of, let us say, hard feelings. Our feelings wouldn't be so good.

Q. Does that subjective element ever enter into your purchasing decisions?

A. Oh, I don't know that it ever is any big criteria in the thing. It may in a small way.

Mr. von Brand: No further questions.

Redirect Examination

By Mr. Walker:

Q. Just so we have the story, your Honor:

Who was the person at Gentry who visited your laboratory without your approval?

A. I don't know that there was any Gentry salesman that ever visited there without my approval.

2896 Q. Didn't Dr. Prater visit the laboratory on one occasion?

A. He visited it but it wasn't without my approval particularly.

Q. When was that?

A. That was a time when we had a rejection and he wanted to go over there and I said, "Well, it won't do you much good." And he said, "Are you telling me I can't go?" And I said, "No."

I can remember that.

Q. Do you know what kind of a rejection that was at that time?

A. I think that was a rejection on moisture.

Q. Do you remember when that was, Mr. Franklin?

A. 1955 or so, '56, '55.

Q. Would you say again what the approximate volume of your sales, that is, Armour's sales to Consolidated were in 1958 according to the information given you?

A. 1958?

Q. Yes, sir.

A. I don't think I have that figure.

Q. I thought that was a figure you gave on direct examination that I first asked you?

A. I think he said — I thought you said from 1950. I am sorry.

In the early days it was around half a million dol-
2897 lars a year. Now, it might be more than that now; it probably is.

Mr. Walker: No further questions.

Recross Examination

By Mr. von Brand:

Q. On direct examination, Mr. Franklin, you testified that sales to Consolidated in 1958 were one million dollars. Now you are not certain of that figure?

A. All information I received on the sales to Consolidated were all conversation. I thought I explained that; maybe I didn't.

Q. Just one more question: Can you tell us who Clarence Weisman is?

A. Clarence Weisman? Clarence is the head of our food research division.

Q. Did he hold that position in 1955?

A. I would think he did, yes.

• • •

2898 JAMES R. HELLER was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Rothe:

Q. Mr. Heller, will you state your full name for the record, please?

A. James R. Heller.

Q. Your address?

A. 3925 Calumet Avenue.

Q. Is that your business address or home address?

A. Business address.

Q. Would you give us your home address, please?

A. 2025 Chestnut Avenue, Wilmette.

Q. What is your occupation?

A. A business executive.

Q. With what company?

A. B. Heller & Company.

Q. What is your position with that company?

A. Chairman of the board, treasurer and secretary.

2899 Q. Is the company located at the south Calumet Avenue address that you gave us?

A. That is correct

Q. What subsidiaries does B. Heller & Company have?

A. Chili Products Corporation Limited, Los Angeles, California.

Q. When did that become a subsidiary of B. Heller & Company?

A. May of 1956.

Q. In what business is B. Heller & Company engaged?

A. Manufacture of ingredients for food industries, principally meat packers and to a lesser degree ice cream and also institutional users.

Q. What sort of ingredients, generally speaking?

A. Well, flavoring; in the case of the meat industry, cures, seasonings, binders, aids to color, aids to flavor, and so forth.

Q. In what business is Chili Products Corporation engaged?

A. Chili seasoning, paprikas, and a general line of spices.

Q. Manufacturers of those items?

A. Manufacturers of those items.

Q. To whom does B. Heller & Company sell its products?

A. It sells to other food processors. When I say 2900 food processors, that would include possibly retailers who might make sausage and that sort of thing, and also institutions.

Q. To whom does Chili Products Corporation sell its products?

A. They sell their products to food manufacturers, repackers of spices and jobbers.

Q. Any institutional customers?

A. Possibly.

Q. Through what channels does B. Heller & Company market its products?

A. Through our own sales force.

Q. How about Chili Products Corporation?

A. They operate through a sales force and brokers.

Q. To what units of Consolidated Foods Corporation has B. Heller sold any of its products?

A. To my knowledge only the Piggly Wiggly Stores.

Q. How long have you sold to Piggly Wiggly?

A. We have been selling them for over 25 years.

Q. So that you were selling them before they became a part of Consolidated Foods in 1956?

A. Oh, yes, long before. I know of their sales back when I joined B. Heller & Company in the early '30's.

Q. Approximately what has been the annual volume of sales to the Piggly Wiggly Stores in the past, say, five
2901 or six years?

A. Approximately two to three thousand dollars a year.

Q. Since the end of World War II, who has made the decision as to B. Heller's source of supply for dehydrated onion and garlic and capsicums?

A. I have made that decision.

Q. How do you use the dehydrated onion and garlic that you purchase?

A. In two ways. We repack that into smaller containers and we also use it in the manufacturing of seasonings.

Q. Prior to 1952, which companies were your sources of supply for dehydrated onion and garlic?

A. Gentry and Basic Food Products.

Q. Basic Vegetable Products?

A. Basic Vegetable Products.

Q. At that time approximately how did you split your business between the two companies?

A. Incidentally, there is a Basic Foods, a competitor of ours.

We split our business approximately 90 per cent to Gentry and 10 per cent to Basic.

2902 Q. Why did you give most of your onion and garlic business to Gentry prior to 1952?

A. Well, we had been buying chili seasoning, chili powder, that is, from Gentry long before I joined B. Heller & Company. We also had been buying onion and garlic. We knew George Clausen, the president and then owner of Gentry, back many years. We had a very personal relation there and so it was just natural that we would give them the lion's share of the business.

Q. The George Clausen you refer to, is that George Clausen, Sr.?

A. George Clausen, Sr., who was then president.

Q. And when did you join B. Heller & Company?

A. I joined them — I came into the purchasing department in 1935 and I was with them for several years before that.

Q. Between approximately 1952 and approximately the middle of 1956, which companies were your sources of supply for dehydrated onion and garlic?

A. From '52 to '56 we bought from Gentry and Puccinelli, filled in with them, and also I believe we bought some imported material at that time, too.

Q. How did you split your business between Gentry and Puccinelli during that period?

2903 A. The bulk of it went to Gentry at that time.

Q. With fill-in orders, as you mentioned from Puccinelli?

A. And we filled in with Puccinelli, yes.

Q. Why was Basic eliminated as a source of supply to your company between 1952 and 1956?

A. Well, as I mentioned, we are repackers of the product and Basic went out and told some of the trade that buy from us, "B. Heller & Company are just reselling our product," and we thought that was very unfair, and we didn't like it, and so we dropped them.

Q. You dropped them completely?

A. Yes.

Q. Now between 1956 and the beginning of 1960, what companies were your sources of supply for dehydrated onion and garlic?

A. What was the first date?

Q. Between about the middle of 1956 and 1960?

A. At that time we bought largely from Basic, again with some fill-ins from Puccinelli and imported material.

Q. Why did you eliminate Gentry as a supplier between 1956 and 1960?

A. We purchased Chili Products Corporation and
2904 at that time we of course, needless to say, didn't buy from Gentry, that is, buy our chili from Gentry because the two firms were competitive and Chili Products was a distributor for Basic Vegetable Products, and we felt that it would be advantageous to Chili to give whatever volume we had to them and we thought possibly we might be able to get by at a little less, for a little less money, since Chili was buying in very, very large quantities,— that is, of the onion and garlic.

2905 Q. Since 1960 which companies have been your sources of supply for dehydrated onion and garlic?

A. Gentry has been our principal source of supply again with imported material and occasional fill-in from Puccinelli.

Q. Why did you discontinue buying Basic's material through Chili Products Corporation in 1960?

A. Two reasons.

First of all we sell to what are known as M.I.D. Government Inspected packing plants, and some of the material that was — in fact, it was entirely Basic's, was picked up by the M.I.D. and they objected to iron filings in there, and we had problems with quality.

Furthermore we did not achieve the savings that we had expected, so we decided to return to our former source.

Q. That is Gentry?

A. Of Gentry, yes.

Q. What sort of savings were you referred to when you mentioned the savings that you anticipated were not forthcoming?

A. Well, Chili Products is probably Basic's largest distributor, and we felt, we were hoping that we would get some—that Chili would get some discounts from Basic
2906 since they are so large for them in that field, and we never did get them.

They have done a lot of extra promoting and the margin that we operate on is very, very poor, even at the moment.

Q. Does Chili Products Corporation still distribute Basic's products?

A. That is correct, they still distribute Basic's products.

Q. Now here, Mr. Heller, is Respondent's Exhibit 385 for identification —

(Said document was marked Respondent's Exhibit No. 385 for identification.)

Mr. Rothe: Respondent's Exhibit 385 shows B. Heller & Company's purchases of onion and garlic from Gentry from 1946 to 1958. The source of the data on this exhibit is exclusively the Service Bureau Corporation tabulation.

We would like to offer this into evidence.

Mr. von Brand: No objection.

Hearing Examiner Kolb: The document will be received into evidence as Respondent's Exhibit 385.

(Said document, heretofore marked Respondent's Exhibit No. 385 for identification, was received in evidence.)

By Mr. Rothe:

2907 Q. Mr. Heller, this exhibit shows your purchases of onion and garlic from Gentry from 1954 to 1956, and if you will look at those years, please?

Now during that time you testified you were purchasing exclusively from Gentry except for some fill-in orders from Puccinelli.

Would you say that your volume of onion and garlic usage since 1956 has remained approximately the same as it was during the years 1954 to 1956?

A. Yes, it has remained about the same. We handle it more as an accommodation than any real effort to try to sell the product.

Q. Mr. Heller, before you were contacted about testify-

ing in this case, had you ever talked with anyone about a relationship of any kind between your sales to the Piggly Wiggly Stores and your purchases of dehydrated onion, garlic and capsicums?

A. No.

Q. Had you had any kind of communication on that subject?

A. No.

Q. What effect has the fact that you sold some of your products to the Piggly Wiggly Stores had on the volume of your purchases of dehydrated onion and garlic from Gentry?

2908 A. None.

Mr. Rothe: That is all.

Cross Examination

By Mr. von Brand:

Q. Mr. Heller, you testified that one of your products was rejected because of iron filings. In what year was that?

A. That wasn't one of our products; it was Basic's product, namely it was their onion powder.

Q. Were there other components in that product?

A. No, it was the pure onion powder just repacked as we received it.

Q. Repacked as you received it?

A. Yes. In fact, let me say this, it was relabeled, not repacked in that particular case. It was in their original can. It wasn't even repacked.

* * *

2909 KENNETH N. TILDEN was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your name, please?

A. Kenneth N. Tilden.

Q. Where do you live, sir?

A. 215 Homestead Road, LaGrange, Illinois.

Q. What is your occupation, Mr. Tilden?

A. Manager of Ingredients Purchasing Department.

Q. What company is that, sir?

A. Quaker Oats Company.

Q. Where is the general office of the Quaker Oats Company located?

A. In the Merchandise Mart Plaza, Chicago, Illinois.

Q. What business is that company engaged in?

2910 A. Manufacturing of food products, cereals and flour for human consumption, animal and poultry feeds, and pet foods.

Q. How many plants does Quaker Oats Company have in the United States?

A. Twenty-seven.

Q. Under what labels are the Quaker Oats Products sold?

A. Under our own label mostly, but we do some private label work.

Q. To whom does Quaker Oats sell its products?

A. Retail grocery chains, wholesale grocers, and institutions.

Q. Does Quaker Oats sell to salesmen and brokers?

A. Both.

Q. Have you, at our request, obtained certain information about Quaker Oats sales?

A. Yes, I have.

Q. During what period of time has the Quaker Oats sold any product to any units of the Consolidated Foods Corporation?

A. Since Consolidated was organized.

Q. What was the approximate volume of Quaker Oats sales to Consolidated in 1958?

A. About $2,000,000.00.

2911 Q. What was the approximate amount of Quaker Oats sales, their total sales in 1958?

A. $300,000,000.

Q. Was that $300,000,000?

A. About $300,000,000.

Q. Will you please describe your duties as manager of the ingredients purchasing department?

A. I am responsible for the purchasing all ingredients that go into the various food items, with the exception that I do not supervise the purchasing of grain, fresh meat or fresh fish.

Q. How long have you held that position?

A. February 1st, 1954.

Q. What position did you hold prior to that time?

A. Assistant to the manager.

Q. Of the ingredient purchasing department?

A. Of the ingredient purchasing department.

Q. As assistant to the manager, what were your duties?

A. The same as they are now.

Q. Except that you were responsible to the manager?

A. Yes, I was responsible to the manager.

Q. Did the manager of that department consult you in connection with his decisions?

A. Yes.

2912 Q. How long were you assistant to the manager of the ingredient purchasing department?

A. From June, 1946, until February 1, 1954.

Q. Mr. Tilden, in what products of the Quaker Oats Company do you use dehydrated onion and dehydrated garlic?

A. In our pet foods only.

Q. During the period 1950 to February, 1954, what role did you play in dehydrated onion and dehydrated garlic purchasing?

A. I made the contacts with the salesmen, or they made their contacts with me; determined the quantity to be purchased, and placed the orders and negotiated the contracts under the direction of the manager at that time.

Q. Since February of 1954, what role have you played in the dehydrated onion and dehydrated garlic purchasing?

A. I have been responsible for practically the same factors.

Q. Since 1950, have you been familiar with the choice of suppliers for dehydrated onion and dehydrated garlic, and what were your reasons for that choice?

A. Yes.

Q. What part did your laboratory and the govern-
2913 ment inspection play in your choice of Quaker Oats source of supply for products such as dehydrated onion and dehydrated garlic?

A. They are all important. They make the decisions for us, as to when and what they approve, and what we can buy.

Q. How is that done? How do they play that part in your company?

A. Samples from would-be suppliers are submitted to our laboratory. They run their various analyses; samples are also submitted to our plant, and they examine the material on more of a mechanical basis, whether it mixes properly, whether the granulations are correct. Samples are also given to the government inspectors, or that is sent away for approval.

When those three groups have made their approval, it is sent to our product control department, who in turn gives us the approval to purchase.

Q. Where two or more suppliers have been approved for

one commodity, how does the purchasing department determine which suppliers will get the business?

A. Well, we always want two sources of supply. I would say that once we have made a decision, or once we have had the approval for one or more, then our final decision is based in this order: On quality, service and price.

2914 Mr. Walker: I would like to have this document marked as Respondent's Exhibit 384 for identification.

(Said document was marked Respondent's Exhibit No. 384 for identification.)

By Mr. Walker:

Q. Respondent's Exhibit 384 for identification is a tabulation of purchases of dehydrated onion and dehydrated garlic by Quaker Oats Company.

The source of the Gentry data is the Service Bureau Corporation records. The source of the Basic data is the Quaker Oats purchasing records.

Mr. Tilden, referring to this exhibit, Respondent's Exhibit 384 for identification, where was the data that shows your amounts of purchases from Basic obtained?

A. From our purchasing records.

Q. How far back do those records go?

A. To the middle of 1955.

Q. That is for complete records?

A. For complete records, yes.

Q. Who was responsible for gathering this data?

A. I was.

Q. Would you be willing to make these purchasing records from which the data was obtained available to the Government for their inspection?

2915 A. Most certainly.

Mr. Walker: I will offer Respondent's Exhibit 384 for identification into evidence as Respondent's Exhibit 384.

Mr. von Brand: No objection.

Hearing Examiner Kolb: Respondent's Exhibit 384 will be received in evidence.

(Said document, heretofore marked Respondent's Exhibit No. 384 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. Tilden, to the best of your knowledge has Quaker Oats Company ever purchased dehydrated onion or dehydrated garlic from the Puccinelli Packing Company?

A. Yes, they did.

Q. About what year was that?

A. 1952.

Q. What was the approximate amount of that purchase?

A. 8,000 pounds.

Q. To your own knowledge, that is the only purchase from Puccinelli Packing Company?

A. Yes.

Q. Prior to 1955, Mr. Tilden, from whom were you purchasing onion and garlic other than Gentry?

A. Basic.

2916 Mr. Walker: At this point, in relation to 1955, I would like to point out that as the exhibit indicates the purchases on Respondent's Exhibit 384 from Basic for 1955 constitute about half of the total year's purchases, because the records only went back to cover half of that year.

By Mr. Walker:

Q. Mr. Tilden, how is your business split between Basic and Gentry, or how was that business split between 1950 and 1954?

A. It was practically all to Basic.

Q. Now, this exhibit indicates that your purchases from Gentry increased substantially in 1955. What were the reasons for this?

A. Well, I had taken over the job as manager, and prior to that time the policy was not to have more than one supplier. It was a very strong feeling of mine that we should

have in every case that we could more than one supplier. So at that time I made the decision to split our business, and in addition to that, our business over a period of years had grown to the point where it was feasible to do so.

Q. When you came in as manager of the ingredient purchasing department, did you do this for other com-
2917 modities other than dehydrated onion and dehydrated garlic, that is, establish a second source of supply?

A. Wherever possible.

Q. Did you consider Puccinelli as a second source of supply at that time?

A. No.

Q. Why not?

A. To the best of my recollection, we didn't approve of Puccinelli, and we wanted only two main sources of supply. It was also due to the fact that the representative in Chicago was a jobber, and they didn't call on us regularly as the sales people for the other organizations had done; nor did they call on our laboratory as the others do.

We felt that it was good business to go to the two prime suppliers, Basic and Gentry. We do not need the third supplier.

Q. Why do you feel a need for a strong second source of supply on dehydrated onion and garlic? Why did you feel that so strongly in 1955, Mr. Tilden?

A. I felt that prior to 1955 we had been trapped once or twice when the plant would be on strike, or would have a fire, or that particular area would be tied up by a railroad strike. Also it was best in my estimation to have two sources of supply for everything that we possibly could.

2918 Q. Since 1955, Mr. Tilden, what formula have you used to divide the business between Basic and Gentry?

A. It is approximately 70 percent Basic, and 30 percent Gentry.

Q. Is there any other reason than your desire to have

a second source of supply for your purchases from Gentry since 1955?

A. No.

Q. Mr. Tilden, we have informed the Hearing Examiner that we have talked to witnesses prior to their testimony. Before you were contacted in connection with your appearance as a witness, had you ever talked to anyone about a relationship of any kind between your company's sales to Consolidated and your purchases of dehydrated onion and dehydrated garlic?

A. Yes, I was.

Q. With whom did you talk about this relationship?

A. The investigator for the Federal Trade Commission.

Q. When was that?

A. 1956.

Q. Would you please describe your discussion with the investigator from the Federal Trade Commission?

Mr. von Brand: Objection. I don't think it is relevant.

2919 Hearing Examiner Kolb: What is the basis that you think it is relevant?

Mr. Walker: The only basis for relevancy is to show that the witness said the same thing to the Federal Trade Commission investigator in 1956 that he is saying on the witness stand right now.

Hearing Examiner Kolb: We would assume that without any evidence to the contrary.

Mr. Walker: That is fine with me, your Honor.

By Mr. Walker:

Q. Other than that conversation, have you had any other conversation or communication on this subject that I previously asked you about?

A. No.

Q. What effect has the fact that Consolidated is a customer of Quaker Oats had on the volume of Quaker Oats

purchases of dehydrated onion and dehydrated garlic from Gentry since 1950?

A. None whatsoever.

• • •

2920 *Cross Examination*

By Mr. von Brand:

Q. Mr. Tilden, in the period 1946 to 1954, were you present at all times when Gentry representatives called on Quaker Oats for the purpose of making sales?

A. I couldn't possibly remember that. I don't know.

Q. You don't know?

A. No.

Q. In the period 1951 to the present do you remember the names of the Gentry representatives that have called on you?

A. The only one I can remember, and I think he has been calling steadily during that period, was Mr. McGill, and the other chap has a very peculiar name.

Q. Have you finished, sir?

A. Yes.

Q. Has Mr. Marty Krahain ever called on you?

A. I don't remember that name.

2921 Q. Is the name Joseph Farrell familiar to you?

A. No.

Q. When did you first become aware of the fact that Gentry was a division of Consolidated Foods Corporation?

A. The first time that I was aware of that was on our contract in 1955 when I noticed it was written, "Gentry, Division of Consolidated."

Q. All right. You testified that Quaker Oats has various plants throughout the country. Could you tell me if Wolf Brand Products of Corsicana, Texas, is a subsidiary of Quaker?

A. It is.

Q. It is a subsidiary?
A. Yes.

• • • •

2923 Chicago, Illinois
March 6, 1961

2924 PROCEEDINGS

• • •

2927 ANTHONY PEPPER, JR., was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?
A. Anthony Pepper, Jr.
Q. Where do you live?
A. Vineland, New Jersey.
Q. What is your home address?
A. 501 Mayfair.
Q. What is your occupation, sir?
A. Director of purchases.
Q. Do you hold any other positions with your company?
A. No.
Q. What is the name of that company?
A. Venice Maid Company, Inc.
Q. Where is that company located?
A. Vineland, New Jersey.
Q. How long have you been director of purchases of the Venice Maid Company?

2928 A. Approximately eleven years.
Q. In what business is that company engaged?
A. Manufacturer of canned foods.
Q. What types of canned foods, Mr. Pepper?
A. Italian specialties and condensed soups.
Q. To whom do you sell your products?

A. To the jobbers and chain stores.

Q. Do you sell also to wholesale grocers?

A. Yes, sir.

Q. In what area of the country are your products sold?

A. The entire country.

Q Through what channels do you market your products?

A. Again, through the wholesale jobbers and chains.

Q. How do you sell to the jobbers and to the chain stores?

A. Through brokers and salesmen.

Q. Under whose label do you sell your products?

A. Under the Venice Maid label, and also under private labels.

Q. That is, the private labels of your customers?

A. Yes, sir.

Q. Is most of your packing under the private label of your customers or under the Venice Maid label?

A. Under private pack.

2929 Q. What products has your company sold to Consolidated Foods Corporation, Mr. Pepper?

A. Condensed soups, spaghetti with meat balls, ravioli, spaghetti sauces, cocktail meatballs; there might be one or two more.

Q. Are those products sold to Consolidated under your label or under Consolidated's label?

A. Under their label.

Q. How are your products sold to Consolidated Foods Corporation?

A. They are sold to the individual branches through either our own salesmen or through brokerage houses.

Q. How large have your total sales to Consolidated been?

A. It's around one hundred twenty-five thousand per year.

Q. Has that been true over the years?

A. Well, it has been increasing.

Q. What is the volume of your company's total annual sales?

A. A little over five million.

Q. Have your total sales increased, decreased, or remained the same since 1950?

A. On the increase.

Q. In which of your products, Mr. Pepper, do you
2930 use onion of any type?

A. Well, we produce around 150 different products. We would use onions in most of them.

Q. How about garlic?

A. Same thing.

Q. Do you use capsicums in your products?

A. Yes, sir.

Q. In which of your products would you use capsicums?

A. Oh, again, most all products.

Q. Have you used any fresh onion in your products?

A. Yes.

Q. In which products have you used fresh onion?

A. Again, most products would take onions.

Q. Have you used both the fresh and the dehydrated onion at different times in the same products?

A. Oh, yes.

Q. What determines whether you use the fresh or the dehydrated onion in the product?

A. The market price of the onion itself.

2931 Q. Mr. Pepper, since 1950 who has made the decisions as to your sources of supply for dehydrated onion and garlic?

A. I have.

* * *

2932 (Said document, heretofore marked Respondent's Exhibit No. 393 for identification, was received in evidence.)

By Mr. Walker:

Q. When did your company start purchasing imported dehydrated onion and garlic, Mr. Pepper?

A. Imported? It goes back quite a few years. I couldn't tell you the exact year.

Q. Could you give us any estimate of about how many years back you started using it?

A. Well, when we first started to get into dried onions, and the record would show around 1949.

Q. From what companies have you bought imported dehydrated onion and garlic?

A. Schoenfeld & Sons. They are in New York City. And Louis Furth; they are in New York City. Also

2933 Gel Spice.

Q. What types or kinds of dehydrated onion or garlic have your company used?

A. Chopped onions, minced onions, sliced onions, onion powder, and garlic powder.

Q. How much of your requirements of dehydrated onion and garlic are at the present time obtained from imported sources as opposed to domestic sources?

A. Around 95 per cent.

Q. Mr. Pepper, from which of these two sources, that is imported or domestic, do you obtain your chopped, minced and powdered onion and garlic?

A. From foreign sources.

Q. Where do you obtain your sliced onion?

A. From Gentry.

Q. About how much sliced onion do you currently use?

A. Approximately five thousand pounds per year.

Q. Why do you buy the sliced onion from Gentry?

A. Because of the size. They are the only people that handle that particular type size.

Q. Do you mean the imported dehydrated onion and garlic does not offer this type or size of sliced onion?

A. No, they do not. Not the large size.

Q. Excuse me?

A. They do not.

2934 Q. Respondent's Exhibit 393, which you have, Mr. Pepper, shows the amounts of imported dehydrated onion and garlic that you bought in 1956 and 1958. Have your purchases of the imported product been greater or less or about the same as that since 1958?

A. On the imported?

Q. Yes.

A. On the imported it has been quite a bit more. In fact, it has been more than what the Gentry purchases were in 1958, because we had switched all purchases from Gentry to the imported.

Q. Except for the sliced onion which you testified about?

A. Except for the sliced onion. That is correct.

Q. Why have you changed a major portion of your purchases to the imported product?

A. Because we had found that the imported market had bettered their quality and there is quite a difference in the price structure.

Q. That is, which is cheaper than which?

A. The foreign is cheapest.

Q. What accounts for the large increase in your usage of dehydrated onions since 1955, as shown on Respondent's Exhibit 393?

A. At one time it was a company policy not to use 2935 dehydrated onions whatsoever, only fresh onions; and then, under development and so forth, an okay was given to go into dehydrated onions.

That is the reason.

2936 Q. According to Respondent's Exhibit 393, you bought very little dehydrated onion in 1950. Why was that?

A. I cannot answer that, except to say that we must have gone into the fresh onions at that time.

Q. Why did you buy more of the dehydrated onion as the years went by?

A. We got accustomed to using them. It could have been a particular seasonal price standard that we finally switched over to the dehydrated.

Q. Did you work with any of the domestic dehydrators in switching from the raw to the dehydrated?

A. Yes. That we did.

Q. What company?

A. Gentry. We had some work with Basic.

Q. How did the amount of work that you did with Basic on this conversion compare with the amount that you did with Gentry?

A. Very little. I mean there was quite a difference. We received considerable help from Gentry and very little from Basic.

Q. Now, Respondent Exhibit 393, Mr. Pepper, indicates that from 1952 on you have bought more and more of your dehydrated onion and garlic from Gentry. What was the reason for that?

2937 A. Due to the fact that for years we had been purchasing spices from Gentry — this goes back many years — and it was convenient for us to just continue buying another item from Gentry, because we use our own hauling, our own trucks for hauling, and that required just one pickup in New York City.

Q. What kind of spices were those that you bought from Gentry?

A. Chili powder, crushed red pepper—there is one other

spice. There is another spice, but I just can't recall it. Oh, yes: Paprika.

Q. You have testified, Mr. Pepper, that your purchases from Gentry since 1958 have decreased greatly as you have converted more of your purchasing to the imported dehydrated onion and garlic. Is that right?

A. That is correct.

Q. Does your company still sell to Consolidated Foods Corporation?

A. Oh, yes.

Q. How does the volume of your sales to Consolidated during the last couple of years compare with the sales before that time?

A. On the increase.

Q. Mr. Pepper, there have been placed in evidence in this case a number of memoranda and call reports
2938 purportedly reflecting calls on your company by salesmen of Basic Vegetable Products, Inc. These exhibits, in case counsel wishes to refer to them, are Commission Exhibits 171, 172, 178, 179 and 181.

Paraphrasing the statements in these call reports, Mr. Pepper, they state that your company purchased dehydrated onion and garlic from Gentry because of the Gentry relationship to Consolidated, which was a customer of Venice Maid. Is that true?

A. No.

Q. Mr. Pepper, Mr. Sparling, who is the sales manager of Basic Products, Inc., testified in this proceeding that in his opinion his company had lost sales to Gentry—that is, to Gentry with your company—because of the relationship between Gentry and Consolidated Foods Corporation. Is that true?

A. No.

Q. Mr. Pepper, do you recall having any conversations prior to the time that you were contacted in connection with

your appearance as a witness in this case about a relationship of any kind between your sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No.

Q. Have you had any communications on that sub-
2939 ject prior to the time that you were contacted as a witness?

A. Never.

Q. Mr. Pepper, what effect has the fact that Consolidated is a customer of Venice Maid had on the volume of your purchases of dehydrated onion, dehydrated garlic and capsicums from Gentry since 1950?

A. No effect.

• • •

2940 *Cross Examination*

By Mr. Hays:

Q. Mr. Pepper, for how long a time have you been the purchasing agent for the Venice Maid Company?

A. Actually since 1948 or 1949.

Q. The Venice Maid Company is a family corporation, is it?

A. Yes, it is.

Q. Your father is president?

A. No, my brother.

Q. Your brother is president? Your father was president in 1953, was he not?

A. No. Still my brother.

Q. And his name is John Pepper?

A. John Pepper.

Q. What position has Mr. Anthony Pepper, Sr. held?

A. Treasurer.

Q. Did either Mr. John Pepper or Mr. Anthony Pepper, Sr., during the period from 1951 to the present, participate

in decisions as to from what sources you would buy your dehydrated onion and garlic?

A. Never.

2941 Q. Did they ever participate in any discussions with you or participate in any discussions with the salesmen of the various companies that sell dehydrated onion and garlic during that period, 1951 to the present?

A. No.

Q. They have never been present when a salesman of either Basic or Gentry called upon your company?

A. Present? Well, they certainly were in the office. I would say they were present, yes.

Q. Were they present at the discussion?

A. That I don't recall.

Q. Isn't it true that your formulas call for— strike that. Isn't it true that during the period from 1951 to 1955 your formulas call for a combination of raw onion and dehydrated onion?

A. No.

Q. They did not call for that combination?

A. No.

Q. During that period you used dehydrated onion and raw onion interchangeably?

A. Yes.

Q. And the only reason that you switched was because of price?

A. That is correct.

2942 Q. Now, what were the prices that caused you to change from dehydrated onion to raw onion, and vice versa?

A. Basically, I do not recall what the prices were at the time for dehydrated onions, so I cannot give you a cost comparison. But it was based on the fact that if the raw onion would drop under a certain price on the open market, where we could peel that onion and grind it, and so forth, and

put it into the product at least, say, "X" cost per pound, and the dehydrated was "X" cost per pound, we had a break-even point.

As soon as that break-even point was reached, then we would go into the dehydrated onions if the raw market was up, and vice versa.

Q. Well, percentagewise, if you do not remember the prices, about how much lower would the dehydrated onion have to be—that is, how much lower would the raw onion have to be, rather than the dehydrated onion, for you to use raw onion?

A. That would occur as soon as the break-even point was reached, which had to take in labor, the peeling of the onions, and so forth. Within a couple of cents.

Q. A few cents a pound?

A. Yes.

Q. And if you had that difference of a few cents—

2943 A. We would change it.

Q. You did change it?

A. Yes. Oh, yes.

Q. By a few cents, you mean if dehydrated onions were selling for 43 cents a pound and raw onion was selling for 40 cents a pound, you would—

A. Using that relationship, actually the raw onion would not sell for 40 cents a pound. But as soon as it was profitable to our company, then we would make the change.

Q. In other words, it was profitable for your company when the per-poundage price of raw onion and dehydrated onion varied by only three cents?

A. Yes, sir. We were still saving.

Q. Did you, during the period from 1951 to 1955, talk to Mr. Robert Gallo of the Basic Vegetable Products Company?

A. Yes, sir.

Q. Did he call on your company regularly during that period?

A. Yes, he did.

Q. What help did the Gentry people give you in the development of the use of dehydrated onion and garlic?

A. They were instrumental in proving to us the reconstitution value of the dehydrated onion versus the
2944 fresh onion.

It was able to increase that break-even point I was talking about, so that we could use more dried onions instead of fresh, because it was economical.

Q. Who was the individual that did this?

Who were the individuals that did this?

A. Joe Farrell and Oscar Schek.

Q. Who during the period from 1951 to the present has been in charge of your sales, that is, Venice Maid's sales?

A. It's a combination between two brothers: John Pepper and Lawrence Pepper.

2945 Q. Do you participate in any of the sales discussions with those two individuals?

A. No.

Q. Did Mr. William White ever call upon you as a Gentry salesman?

A. William White? I just don't recall.

Q. At the present time you have switched entirely to imported dehydrated onion and garlic?

A. Yes.

Q. You are not using any raw onion or garlic at this time?

A. Oh, quite a bit of raw onion.

Q. Why do you use raw onion at this time? How do you use it?

A. At this time?

Q. Yes.

A. Different products.

Q. In other words, some of the raw onion you use at the present time is not interchangeable with dehydrated onions, is that correct?

A. That is correct.

Q. What product is that?

A. Now we have switched again — company policy changed and switched the spaghetti sauces, and so forth, back to raw onion.

2946 Q. In 1949 why did you purchase your requirements of dehydrated onion and garlic from Basic rather than Gentry?

A. I do not recall.

Q. During the period from 1949 to 1951, why were the bulk of your purchases of dehydrated onion and dehydrated garlic made from Basic rather than from Gentry?

A. No reason that I can recall.

Q. When did Mr. Farrell assist you in show how the dehydrated onion product could be reconstituted?

A. It's many years ago, but I just can't recall.

Q. Was it before 1951 or after 1951?

A. I couldn't say.

Q. During the period from 1949 to 1951 did not the Basic salesmen attempt to familiarize you with the uses and the reconstitution of dehydrated onion and garlic?

A. We had discussed it and that was something that did not sit too well with me, because that was our usual argument, that we were not getting the reconstituted value out of the dehydrated onions. We had asked Basic to come in and prove it to us. I always recall the salesman coming and pulling out the sheets and stating there was an 8
2947 to 1 reconstitution value. And we have had proved many times in our laboratory that we could only get 6 to 1.

We told them we would make no major switch whatsoever until they could prove the difference. They had

promised for years to come in and give us this proof. That they did not.

Q. Who was this individual that made this promise?

A. Mr. Dawe.

Q. Now, in 1952 and thereafter, up until 1958, did the reconstitution ratio of dehydrated onion purchased from Gentry equal 8 to 1?

A. No, it never did.

Q. What did it equal?

A. It runs, as far as we are concerned, on bulk — now, on flavor it does equal 8 to 1; but we are interested not in flavor but in bulk.

Q. What was it in bulk?

A. That averaged somewheres around 7.

Q. And in 1951 what was the bulk reconstitution ratio in so far as the Basic dehydrated onion was concerned?

A. It would be the same.

Q. In other words, during the period from 1951 to 1958 the reconstitution ratio, Basic dehydrated onion and Gentry dehydrated onion, has been the same?

2948 A. Oh, yes.

Q. Just what did Mr. Farrell do to convince you that you should change from Basic to Gentry?

A. They came into the plant. They had use of the facilities of the lab, and so forth. And they tried to prove to us that this ratio —

Q. Who is "they"?

A. Joe Farrell.

Q. He did?

A. Yes. That's correct. And tried to prove to us the ratio was higher than 7 to 1. That they could not prove. But at least it did establish the break-even point. Instead of using or basing all cost figures as the different companies involved here would use the figure of 8 to 1, we were able to establish the figure at 7 to 1.

Q. In other words, Mr. Farrell claimed the ratio was 8 to 1, and he proved it was 7 to 1, and you started buying from him, is that right?

A. I just can't recall to answer the question. He was the one that did the work with us.

Q. Did he represent to you that the ratio was 8 to 1?

A. Well, they all represent the ratio is 8 to 1 in flavor.

That was always our discussion as far as this
2949 friendly argument back and forth, where we claimed it was not 8 to 1 as far as bulk was concerned. It was, yes, 8 to 1 in so far as flavor. This we would agree.

Q. Did they claim it was 8 to 1 in so far as the bulk was concerned?

A. Well, I guess they were claiming that, yes.

Q. Both Gentry and Basic?

A. Both companies, yes.

2950 Q. And Mr. Farrell came to your laboratory and established it was seven to one?

A. Yes.

Q. Who was with Mr. Farrell when he did all this?

A. I don't know. I just can't recall. I don't know if Mr. Schek was with him or not. I could not answer that.

Q. By an eight to one bulk ratio, what do you mean?

A. If you were to use one pound of dehydrated onions, you should net eight pounds of — it should be equal to eight pounds of fresh onions.

Q. Well, if the price per pound of fresh onion were only several cents less than the price per pound of dehydrated onion, and if you get eight reconstituted pounds of dehydrated onion, why would you then buy the fresh onion with only several cents difference in price?

A. Well, let's take the dehydrated onion selling for, let us say, 60 cents a pound. I am just taking a hypothetical figure.

This is 60 cents per pound for one pound. Let us take

eight pounds of fresh onions. And let us say they totaled up to 59½ cents or 59 cents. That would be under that break-even point. We would go into fresh onions.

Q. But the price per pound of fresh onion would
2951 be considerably less than a two or three-cent difference per pound, in comparing the fresh onion with the dehydrated onion, would it not?

A. I don't think you understand what I am trying to get across as the point.

You must times your price per pound of fresh onions by — well, in this particular case, because of bulk, figured seven to one — seven times, let us say, five cents per pound. That would be 35 cents.

If your dehydrated was 60 cents a pound, you would be saving 25 cents per pound on this individual unit each time that you would do this. I don't know if I am getting myself across to you.

Q. In other words, the actual price you compare is the price of seven pounds of fresh onion against one pound of dehydrated?

A. That is correct.

Q. You purchased imported onions from Schoenfeld & Sons, is that correct?

A. Correct.

Q. Are they importers?

A. Importers.

Q. And you purchased imported onions and garlic from Louis Furth?

A. Yes.

2952 Q. Are they importers?

A. Yes, sir.

Q. What about Gel Spice?

A. Importers.

Q. Is Venice Maid on Consolidated Foods' approved supplier list?

A. I would say it must be.

Q. Do you know how long it has been on the approved supplier list?

A. I could not give you the exact year, but it has to go back to before or right after or during the second World War.

Q. Now, what is the size of onion that Basic produces and no one else does?

Mr. Walker: There was no such testimony. Do you mean Gentry?

Mr. Hays: You may be right.

By Mr. Hays:

Q. Did Gentry produee a size of sliced onion that no one else produced?

A. No one else on the foreign trade. I mean I believe no one in the foreign trade that I have ever dealt with. I know the people that I have dealt with; there may be suppliers somewhere around that have never contacted me, and I do not know who they may be, but they may 2953 have large-sliced.

But to my knowledge there are no large sliced onions being sold from the foreign market.

Q. What about the domestic market?

A. The domestic market, no. You have Gentry and Basic.

Q. Do they have the same size onion there?

A. Oh, yes. Definitely.

Q. Why do you purchase that size dehydrated onion from Gentry rather than Basic?

A. Due to the fact that we had for many, many years purchased our slices from Gentry, and there is the economics of making our pickups in New York City at their warehouse.

So to pick up, we usually pick up the sliced onion in 600 pound lots. To go anywhere else would be ridiculous cost-wise. Pickups are all made at one time.

Q. As I understand it, you purchased this sliced dehydrated onion from Gentry, so you can pick up that and your capsicums at the same time, is that correct?

A. That is correct.

Q. Where, during the period from 1951 to the present, have you made those pickups?

A. Their warehouse in New York City is Railroad Stores, in New York City.

2954 Q. In what quantities do you usually pick up dehydrated sliced onion?

A. Small quantities. It is a small item. It's around 600, 650 pounds.

Q. In what quantities do you normally pick up your capsicums?

A. Depending upon our needs at the time, if we are not running too heavy on chili, our spiced pickup would be light. Four or five, six drums. If our needs are more, naturally we would be picking up as high as maybe 20 drums at a time.

Q. You say you normally picked up your dehydrated onions in 600 pound bags or 600 pound lots?

A. 600 pound lots.

• • •

2955 ROMOLO LEWIS PUCCINELLI was thereupon called as a witness on behalf of the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Romolo Lewis Puccinelli.

Q. What is your occupation, Mr. Puccinelli?

A. I am president of the Puccinelli Packing Company.

Q. I believe I neglected to ask you where you live, Mr. Puccinelli.

A. 1134 Sierra Drive, Turlock, California.

Q. How long have you been president of the Puccinelli Packing Company?

A. Since the corporation was formed in 1946.

Q. And this is the Puccinelli Packing Company about which Mr. Jack E. Teeters, secretary-treasurer, and Virgil Jones have testified at prior hearings held in this case, is that right?

A. Yes.

Q. Have you read Mr. Teeter's testimony?

A. Yes.

Q. Have you also read Mr. Virgil Jones' testimony?

A. Yes.

Q. Do you have anything that you would like to add 2956 or correct to any of the answers that you have read in the transcript about the operation of your business?

A. No, except that there was a wrong figure. There must have been a zero left off in the quantities produced daily. There was 15,000 pounds of garlic instead of 1500, and 20,000 pounds of onion instead of 2,000.

Q. The correct figures are the 15,000 and the 20,000, is that right?

A. Yes.

Q. Mr. Teeters described in his testimony, Mr. Puccinelli, the dehydration plant that you own in Italy.

A. Yes.

Q. Why was that plant established?

A. To service our European customers.

Q. Mr. Puccinelli, do you believe that the market for dehydrated onion and garlic products is expanding, contracting, or remaining about the same?

A. It is expanding.

Q. During what period of time, in your opinion, has it been expanding?

A. Ever since I have been in it.

Q. What, in your opinion, has caused that expansion, Mr. Puccinelli?

2957 A. The recognition of the value of the product.

Q. In what particular areas do you believe that there will be more expansion in the future?

A. I believe in the home consumption.

Q. Do you believe that there will be more expansion in the area of use of these products by the manufacturers or food processors?

A. Oh, yes.

Q. What about the institutional users?

A. Yes.

Q. What has been the trend of your sales of dehydrated onion and garlic since 1950?

A. It has been upward.

Q. Mr. Puccinelli, we have in the record in this case Respondent's Exhibits 170 to 171, which show the sales year by year of the different domestic producers of dehydrated onion and garlic, and these exhibits show a decrease in your sales of dehydrated onion and garlic in the year 1954. What was the reason for that decrease?

A. That was due to a fire that occurred at our Livingston plant, which materially reduced our production, and we lost some tonnage because of it.

Q. In your opinion, Mr. Puccinelli, is Puccinelli Packing Company able to compete successfully with Basic

2958 Vegetable Products, Inc. and the Gentry Division of Consolidated Foods Corporation in the sale of dehydrated onion and garlic?

A. I believe so.

Q. What factors enable you to do so, in your opinion, Mr. Puccinelli?

A. Well, we have been progressive in our thinking and development of equipment and good service, good quality.

Q. How about your customers, your customers that purchase dehydrated onion and garlic, Mr. Puccinelli, have they been varying over the years or have they been consistently staying with you by and large?

A. They have been very loyal, I would say, generally.

Q. Is that generally true in this industry?

A. Well, I don't know the experience of others, but with us, it has been quite so.

Q. Mr. Puccinelli, has the ownership and operation of Gentry by Consolidated Foods Corporation since 1951 adversely affected, in your opinion, the ability of Puccinelli Packing Company to market its dehydrated onion and garlic products?

A. I don't think so.

Q. To your knowledge, Mr. Puccinelli, have the 2959 sales of imported dehydrated onion or garlic been increasing or decreasing?

A. They have been increasing.

Q. In what sections of the country are the imported dehydrated onion and garlic products sold to your knowledge?

A. Particularly the New York area, the East Coast, and some from Japan on the West Coast.

Q. What about the midwestern area?

A. Yes, the Egyptian and Bulgarian production in the Near East has drifted in as far as Chicago in the middlewest.

Q. What types of companies use the imported dehydrated onion and garlic?

A. Mostly by foreigners, as far as I know. I mean foreign groups.

Q. In what types of business are the companies engaged in that use dehydrated onion and garlic?

A. Please ask that again? Repeat the question?

Q. In what types of business are the companies engaged in that use dehydrated onion and garlic, that is, imported, please?

A. Well, they are opportunists. They shop around the world, and price is the predominant factor in their thinking, not quality.

2960 Q. Mr. Puccinelli, has your company taken any substantial customers away from Basic or Gentry since 1951?

A. Occasionally, I imagine we have.

Q. How did you do this?

A. By service, offering good service.

Q. This is Respondent's Exhibit 394 for identification, which is a list of the domestic customers of Puccinelli Packing Company who purchased more than $10,000.00 worth of dehydrated onion and garlic during the fiscal years ending April 30, 1956 to 1960.

Is this the list which Mr. Teeters stated in his testimony in San Francisco was prepared at our request by your company, Mr. Puccinelli?

A. Yes.

Q. And was this list compiled from books and records kept in the regular course of business by the Puccinelli Packing Company?

A. Yes.

Mr. Walker: At this time I would like to offer Respondent's Exhibits 394-A and B into evidence with the request, because this is obviously important information so far as Mr. Puccinelli is concerned, that it be received in evidence in camera.

* * *

(Said documents, heretofore marked Respondent's Exhibits Nos. 394-A and B, respectively, for identification, were received in evidence, in camera.)

By Mr. Walker:

Q. Do you know, Mr. Puccinelli, of any companies not now dehydrating onion and garlic products that are going into the dehydration of those products?

A. Well, I have received information that General Foods is now constructing a plant at El Centro for the production of dehydrated onion.

• • •

STACEY GIFFORD, called as a witness on behalf of the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your name, please?

A. Stacey H. Gifford.

Q. Where do you live, Mr. Gifford?

A. 940 Beaver Lane, Glenview, Illinois.

Q. What is your occupation, sir?

A. I am vice president and secretary of Consolidated Foods Corporation.

Q. When did you first start working for Consolidated, Mr. Gifford?

A. In 1945 when Consolidated acquired Reid-Murdoch & Co.

Q. What was your position with Reid-Murdoch?

A. I was assistant secretary and counsel.

Q. In what business was Reid-Murdoch then engaged?

A. Reid-Murdoch was engaged in the wholesale food distribution of private, mainly private label products of Reid-Murdoch & Company.

Q. Did they have any processing units?

A. They had a few processing units in connection with the wholesale business. We processed only for Reid-Murdoch's controlled label.

Q. Where was that business carried on? That is, the business of Reid-Murdoch?

A. The headquarters were in Chicago, Illinois. We had branches at Somerville, Massachusetts, Baltimore, Maryland, Jacksonville, Florida, Houston, Texas, Los Angeles and San Francisco, California, and Minneapolis, Minnesota.

Q. Would you, Mr. Gifford, please describe the positions that you have held with Consolidated since 1945?

A. In 1945 I was assistant secretary of Reid-Murdoch & Company and counsel until 1946, when I became secretary of Reid-Murdoch Division of Consolidated Foods Corporation. I served in that capacity until 1953 when I became, well, from 1946 through to 1953 I was also assistant secretary of Consolidated Foods Corporation. In 1953,

January, I was made secretary of Consolidated Foods
2967 Corporation and counsel, and in 1955 a vice president.

Q. Would you please describe your business activities prior to 1945 starting with the time when you completed your education?

A. I graduated from the St. Paul College of Law in 1924. I, however, was a member of the bar of Minnesota, took the examination in January of 1924, and was associated for a short time with a law firm in St. Paul.

I became employed by Reid-Murdoch & Co. in July of 1924 as company counsel. I also supervised some of the credit work. In 1936 I became assistant secretary of Reid-Murdoch & Co., also general credit manager, mainly in a supervisory capacity. I continued in that until 1945 when we were acquired by Consolidated Foods Corporation.

Q. Mr. Gifford, would you please describe your duties

as vice president and secretary of Consolidated?

A. Well, as vice president and secretary of Consolidated, I am what is termed a member of the management team. We are concerned with the overall policies of the operation of the company. I work very closely with Mr. Nathan Cummings, chairman of the board, Mr. Kennedy, the presi-
2968 dent, and Mr. Everts, the treasurer. We discuss major policies from an operating standpoint more or less as a food banker.

I have charge of the legal department. We have charge of the important litigation and any association that we have with outside counsel.

I am a member of the committee, consisting of Mr. Kennedy, Mr. Everts and myself, who pass on all of the capital asset proposals of any division and of any subsidiary.

Any government regulations, I handle that, and some labor relations work from a supervisory capacity only. I participate in all negotiations for acquisitions, and in addition to all this, I have the ordinary corporate secretarial work, which consists of preparing the agendas, calling the meetings, preparing the agenda and writing up the minutes of all of the directors meetings, the executive committee meetings, and of course the stockholders meetings, getting out the proxy statements, handling all relations with the transfer agents and the registrars, all relations with the different stock exchanges on which Consolidated is listed, the ordinary stockholder relationship and the filings with SEC.

I guess that about covers it.

Q. What changes have occurred in the scope of
2969 your duties during the last ten years, Mr. Gifford?

A. Well, naturally the responsibilities have grown as Consolidated has grown.

Q. Mr. Gifford, would you please describe the origin of Consolidated Foods Corporation?

A. Consolidated Foods Corporation was organized in 1941, September, under the name of the South Street Company. Immediately after organization, it acquired the business of C. D. Kenny & Company, and changed its name to the C. D. Kenny Company. In 1942—

Q. Excuse me. Before you go on, Mr. Gifford, may I interrupt and ask you what was the business of the C. D. Kenny Company?

A. C. D. Kenny Company was engaged in the wholesale distribution with headquarters at Baltimore, Maryland, serving the nearby states. The major portion of their business was confined to sugar, coffee, tea. That was the large portion of the business. They were also in the wholesale grocery business, but the big proportion of the business was sugar and coffee.

2970 Would you now please describe Consolidated's expansion in the years 1942 to 1945?

A. In 1942 Consolidated expanded to the midwest when they acquired a wholesale grocery operation in Chicago and one in Iowa.

In 1942 the name was changed to Sprague Warner Kenny Corporation.

In 1945 when they acquired the Reid-Murdoch business, the name was changed to Consolidated Grocers Corporation.

In 1954 the name was changed to Consolidated Foods Corporation, which is the name under which we are operating.

Q. What processing units were acquired prior to 1950, Mr. Gifford?

A. There were a few processing units acquired through the acquisition of wholesale grocers in Iowa and the acquisition of Reid-Murdoch. The only real processing unit acquired prior to 1950 was Rosenberg Brothers & Co. of California, who were processors of dried fruit, nuts and

rice, and that has since been completely liquidated.

Q. What was the situation in the wholesale grocery business generally in 1950, Mr. Gifford?

A. In 1950 the traditional wholesale grocery busi-
2971 ness was very much on a decline with the advent of chain stores and the smaller retail stores going out of business.

The future of the wholesale grocers didn't look too good. It was on the decline.

Q. What did Consolidated Foods Corporation do about this?

A. Well, they had to find some way to continue to make profits, and we organized and fostered voluntary groups of independents.

In other words, a voluntary group is independents that combine and affiliate themselves with a wholesale distributor where they buy practically all of their supplies from one source, the fostering wholesaler, and Consolidated organized several of these voluntary groups.

Q. What are the names of some of those groups?

A. The better known one is the Royal Blue Stores in the Chicago area and the Cardinal Food Stores.

Q. Does Consolidated own any of these stores, Mr. Gifford?

A. No, they do not own any of these stores. These stores are owned by the independent merchant and he belongs to the group and seeks one source of supply for his needs with the exception of meat, produce and
2972 dairy products.

Q. Those items are not supplied by Consolidated?

A. Those items are not supplied by Consolidated.

Q. What other services does Consolidated render to these stores?

A. Well, they provide store layouts. When a man wants

to remodel, they provide him with plans and assist him in remodeling.

They give him a name of Royal Blue to put over his store to identify himself as belonging to the group. They have group advertising, certain merchandising plans, and accounting, if the services are required by the independent merchant.

Q. To what extent are these independent retailers that belong to these groups free to change to a wholesale sponsor other than Consolidated Foods Corporation?

A. Well, they are free to change at their will. They can withdraw from the group. There is no binding contract or binding term.

Q. What steps did Consolidated take to protect its earnings other than to foster the growth of these voluntary groups that you have described?

A. Well, we made some acquisitions of various processing units in various areas. In 1956 to 1958 we em-

2973 barked on the retail store, went into the retail business with some of our own stores.

Q. What retail stores were acquired?

A. The Piggly Wiggly Midwest Company was acquired in 1956. They operated retail stores in parts of Illinois, northern Illinois, southern Wisconsin and eastern Iowa.

Q. Are all Piggly Wiggly stores in the United States operated or owned in any way by Consolidated Foods Corporation?

A. No. The Piggly Wiggly is a franchise deal. The name Piggly Wiggly is owned by the Piggly Wiggly Corporation whose headquarters is in Jacksonville, Florida. They in turn franchise retailers and independents throughout the United States, giving them permission to use the name Piggly Wiggly.

Consolidated only operates Piggly Wiggly's in the areas that I have mentioned and in Minnesota.

Mr. Walker: At this time I would like to offer in evidence as Respondent's Exhibit 395-A to B, a list of the companies acquired by Consolidated Foods Corporation in the years 1942 to 1958, showing exact dates of the acquisitions.

Mr. Hays: No objection.

Hearing Examiner Kolb: There being no objection, the document will be received in evidence as Respondent's Exhibit 395-A and B.

2974 (Said documents, heretofore marked Respondent's Exhibits Nos. 395-A and B, respectively, for identification, were received in evidence.)

By Mr. Walker:

Q. Now, Mr. Gifford, to what extent were the companies that have been acquired by Consolidated in this period in competition with each other before they were acquired?

A. Well, they were in competition very little with each other before they were acquired. There was some competition between Sprague Warner and Reid-Murdoch when the corporation acquired Reid-Murdoch. That wasn't as great as it might appear because Reid-Murdoch handled only its controlled private label merchandise, not a full line wholesale grocery.

Sprague Warner had more of a complete line and a private label of their own, but they were in the habit of giving exclusives to a store.

They would go into an area or a town or district and sell only one customer and give him the exclusive on Richelieu Brand, or their other products. There was a little competition, but it didn't amount to much.

In the processing, there was very little competition because of the location of the processors and because of the varied items that they processed, canned.

2975 Q. To what extent, Mr. Gifford, has vertical integration been a factor in Consolidated's growth?

A. Very, very little. The processing units were not acquired to service the wholesale distribution units, and the retail units were not acquired in order to be able to service them by our wholesale units. Likewise, there has been very little vertical integration.

Q. This is Respondent's Exhibit 392, which is a statement of the inter-company sales of Consolidated Foods Corporation, Mr. Gifford. The figures on this exhibit show, without giving the precise amount, a very small percentage of inter-company sales.

Referring to the purchases of the retail units from the wholesale units, why don't the retail units of Consolidated purchase a larger part of their needs from the wholesale units?

A. Well, the retail units buy direct from the canner or processor in large quantities, and they don't purchase from the wholesale units because, after all, the wholesale units are set up to serve the smaller independent retail grocer and the institutions. While the retail stores, they perform their own warehouse function. They buy direct and perform their own warehousing and delivery to their stores.

2976 Q. Are there any instances, Mr. Gifford, where processing units of Consolidated could buy products from other processing units of Consolidated but do not do so?

A. Oh, there are a few instances. I think Dr. Prater testified here that some of the processing units of Consolidated do buy dehydrated onion and garlic from Gentry and some of them do not. I suppose that some of our processors could buy sugar from Union Sugar Company, but they don't because Union Sugar sells all of its production in California, and the freight rate on sugar is very high and so they don't buy sugar.

There may be other instances, but I can't recall any now.

I think those are two examples. Maybe Sara Lee could buy some sugar from Union Sugar, but the freight rate comes in there, and makes a difference.

Q. Are there any processing units of Consolidated that process any products other than the sugar that Sara Lee could use?

A. Yes. We have an operation out in Nebraska that produces butter. We think that they produce a pretty good butter, I mean it is 90 score, but the Kitchens of Sara
2977 Lee will not use any of the butter of this processing plant because they think the quality isn't good enough. They use a 93 score in their products, so they won't buy the butter from our Nebraska operation.

Q. Mr. Gifford, what has been the overall acquisition policy of Consolidated?

A. Well, originally starting out, Consolidated was interested in building up net assets and getting a good balance sheet, and of the companies that were offered to us, we were interested only buying those that we could get at a bargain. That is, where they had buildings and inventory, and we could buy them for less than book, and know that after an attempt to operate it, if we couldn't operate it profitably, that we could liquidate that purchase and make some money on it because we had bought a bargain.

Of late, the businesses that have been offered to us, why, we have put more emphasis on acquiring earnings rather than looking for bargains.

2978 Q. What reasons, in your opinion, Mr. Gifford, have accounted for Consolidated's ability to acquire companies over the years?

A. Well, one of the major reasons that so many companies were offered to us and we were able to acquire was the decline in the wholesale grocery business.

Many of the operators of wholesale grocery businesses were liquidating. Many of the operators were looking for

ways to get their estate in order and cash in on what little investment that they might have before they lost it in the decline of business.

Others maybe weren't afraid of the decline of business, but they were getting old and had no one to carry on, and so they wanted to get their estate in order, their affairs in order, either with cash or with marketable securities.

Other cases perhaps here and there where there was a family squabble or a squabble among the partners or large stockholders, where they decided to sell out.

Consolidated had the cash or marketable securities, and because we had acquired so many companies, why, these businesses were offered to us, and we investigated, and in some cases made the acquisition.

Q. Were these acquisitions that have been described, Mr. Gifford, sought by Consolidated or were they 2979 opportunities brought to you?

A. They were opportunities brought to us. I don't know of a single instance where anyone in Consolidated sat down and said, now we ought to get into this business and here is a company we ought to buy. These businesses were called to our attention.

Probably out of every one that you acquire, why, a hundred have been offered to you, and maybe 50 you investigated more or less, but they were brought to us, and if we were interested we made an offer, and if it was accepted, we acquired the business.

Q. Could other companies have taken advantage of these acquisition opportunities?

A. Yes. Others have. Anyone that had the cash or marketable securities could certainly have acquired these companies that we acquired.

Q. Now, Mr. Gifford, speaking in the area of operations as opposed to intercompany sales which we were talking about before, to what extent has Consolidated integrated

in an operational sense the companies that it has acquired?

A. Well, it hasn't integrated in an operational sense. It has not integrated the different divisions or subsidiaries.

Each division and each subsidiary must stand on its
2980 own two feet and produce a profit, a return on that investment. If they do not, we look into the matter and cut them down to size or liquidate them, which we have done.

Q. What are some examples of some of the companies which you have liquidated?

A. Weideman & Company with the headquarters in Cleveland was a wholesale grocery operation. Rosenberg Brothers & Co. that I mentioned before; Griggs Cooper & Co., manufacturing grocer in St. Paul; E. A. Aaron, which was a frozen food distributor in Chicago.

Those are examples. There have been others but I just don't recall offhand.

Q. What have you usually done with existing management in the companies that you have acquired, Mr. Gifford?

A. We have retained the existing management to the extent possible because we bought a business that we are going to try to make money, going to stand on its own feet, and we try always to retain the management of that unit in order to properly operate the unit.

Q. Where do you usually get new management in those situations where it is needed?

A. We always try to find new management within the unit itself, and it has worked out, and that is what we
2981 attempt. If we can't find it within that unit, then we go on the outside and secure people to manage the business.

Q. To what extent have you transferred executives from existing parts of Consolidated to new units?

A. Very little. It is not our policy to transfer from one unit to another.

* * *

2982 ROMOLO LEWIS PUCCINELLI called as a witness on behalf of the respondent, having been previously duly sworn, resumed the stand and was examined and testified further as follows:

Cross Examination

By Mr. Hays:

Q. You understand, Mr. Puccinelli, that you are still under oath?

A. Yes.

Q. What is the name of your company?

A. Puccinelli Packing Company.

Q. Is that a corporation?

A. A corporation. A California corporation.

Q. Is that the only corporation with which you are affiliated?

A. I have interest in a company in Italy, that is, the Puccinelli Packing Company over there, which is entirely separate from this one.

Q. Those are the only two corporations you are employed by or affiliated with?

2983 A. Yes.

Q. What type of business is the Puccinelli Packing Company engaged in besides dehydrated onion and garlic?

A. Canning.

Q. What do they can?

A. We have canned some fruits and grapes, peppers, carrots—those are the major items.

Q. For how long has the Puccinelli Packing Company been engaged in canning these products?

A. Since 1946.

Q. Has it been engaged in canning those products continuously during the period 1946 to the present?

A. Yes.

Q. Are those products in fully manufactured form so that they can be consumed by the consumer?

A. Yes.

Q. In what form is Puccinelli Packing Company's dehydrated onion and garlic packed?

A. In standard commercial packs of all kinds.

Q. Is your dehydrated onion or garlic packed so that it is ready for home consumption?

A. Yes. Not in small packages, no. We supply the packers. They do the packaging.

Q. But you do not do that packaging yourself?

A. No, not for the housewives' consumption.

2984 Q. Do you have any salesmen?

A. No.

Q. During the period from 1946 to the present have you sold your dehydrated onion and dehydrated garlic exclusively through brokers?

A. Brokers and agents, yes.

Q. At the present time how many brokers or agents do you have?

A. I haven't added them up, but I imagine around 10, I would say.

Q. How many did you have in 1951?

A. About the same number. We may have one or two more.

Q. What do you have to do with the selling policies of the company?

A. Well, I direct them.

Q. When you are not present, who directs them?

A. Well, Mr. Teeters. He usually does it. I instruct him as to what to do.

Q. Who directed them before you hired Mr. Teeters?

A. Well, Mr. Jones.

Q. Anyone else?

A. Mr. Rasmussen for a short time. He passed away

within a year after his employment.

Q. Is it not true that you take frequent trips away
2985 from the United States to Italy?

A. Yes.

Q. How much time did you spend in Italy in the past year?

A. Oh, about three months, I would say.

Q. Is that generally true? Do you generally spend three months out of the year in Italy?

A. Well, I make frequent trips. I will probably spend two or three weeks over there and return. Sometimes I have stayed as long as six weeks over there.

Q. How long do you usually spend in the United States between your trips to Italy?

A. All the time.

Q. I mean, what is the usual length of time between your trips to Italy?

A. Well, I usually go in the summer for about three or four weeks. Then I return to Turlock, and I am there during the major part of the season, the manufacturing season, and then return to Europe in about October.

Q. How long did you stay there when you go back in October?

A. That is about the end of the production season here. I usually stay six weeks, two months.

Q. And then you come back to the United States?
2986 A. Yes. And I stay here continuously. But I may go in April for two weeks and then again in June for two weeks.

Q. Is it not a fact that you have been mostly interested in the production facilities of the Puccinelli Packing Company and have left the selling to your brokers?

A. Well, I direct the sales. I give instructions as to what to do.

I mean I do not turn over my business to a group of agents.

Q. What type of instructions do you give them—to sell as much as they can?

A. Very definitely. Within our ability to produce.

Q. Do you give them any other instructions?

A. We generally supervise the sales policies. I supervise them.

Q. What sales policies do you supervise?

A. Well, as to distribution of our production and the type of trade that we wish to serve.

2987 Q. What type of trade do you not wish to serve?

A. Well, we are not in the packaging business. That is, for domestic consumption. I mean for household consumption.

Q. Is that the only type of trade you do not desire to serve?

A. That's right.

Q. Have you ever sold anything to Consolidated Foods?

A. Well, we have sold them canned goods.

Q. What kind of canned goods?

A. Canned grapes and canned carrots.

Q. They are one of your customers for finished products?

A. Yes.

Q. When did you make those sales to Consolidated?

A. We have been making them for years.

Q. Did you make any this year?

A. Yes. We made some sales this year.

Q. Have you made sales to Consolidated Foods in every year since 1951?

A. Pretty well, I believe. Maybe not in 1951, but in 1952 and 1953 I think we started selling them.

Q. Is that when you started to sell them, that is, in 1952 and 1953?

2988 A. It's pretty hard to tell. I used to sell Reid-Murdoch.

Q. Have your sales to Consolidated Foods of these products increased since that time?

A. Well, they have their own canning facilities, and they buy from different persons, I imagine, or they produce some themselves. I know they can grapes.

Q. Have your sales to Consolidated Foods increased since 1952 or 1953?

A. That would be very difficult for me to answer. I would have to go to—I wouldn't know.

Q. Who does the selling of those products to Consolidated Foods?

A. It's done directly from our office.

Q. Do you do it?

A. When I happen to be there, or I instruct—the orders are accepted in the office, with our salesmen there.

Q. You mean Mr. Teeters?

A. Mr. Teeters and Mr. Fanucci.

Q. Is this private label? A Consolidated Foods label?

A. Yes. A Consolidated Foods label.

Q. How much did you sell them last year?

A. I wouldn't know.

2989 Q. Do you have any idea of the approximate amount you sold them last year?

A. No, I haven't. I know orders come in regularly. Particularly for carrots, because we are one of the very few producers of carrots in California. And the only one that consistently produces carrots. We are the only ones that are well-equipped to handle carrots.

Q. You are the only one fully equipped to handle grape jelly?

A. Canned grapes.

Q. Canned grapes?

A. No. Several concerns are doing that.

Q. Have you sold canned grapes to Consolidated Foods since 1952 and 1953?

A. Yes.

Q. Did you sell them anything besides canned grapes and canned carrots?

A. On one or two occasions we ran short of certain particle sizes of onion. We asked them if they had some, and they sold us some. There was only two or three occasions.

Q. They sold some to you? You did not sell them any?

A. Oh, on one or two occasions we sold them some.

2990 Q. Are your sales of these products, canned carrots, canned grapes, jelly and the like, handled through brokers? Do you sell through brokers?

Mr. Walker: Just to keep the record straight, I do not believe, unless I missed it, that there has been any testimony about any jelly of any kind.

2991 The Witness: We don't sell jellies.

By Mr. Hays:

Q. Jams?

A. No.

Q. Just canned grapes and carrots?

A. Just canned grapes and carrots. That is the only canned product that I have sold.

Q. Have you sold them any other products besides canned grapes and canned carrots?

A. Have I—

Mr. Walker: He has just testified about dehydrated onion and garlic.

By Mr. Hays:

Q. And dehydrated onion and garlic?

A. Yes.

Q. Any other product?

A. Excepting canned peaches to Reid-Murdoch. And I don't recall whether it was before or after the merger. I don't recall the dates.

Q. When did you first start canning peaches?

A. In 1946.

Q. For how long have you canned them?

A. I continued canning peaches until 1957, I believe.

Q. Did you can them continuously during that period?

A. Yes.

2992 Q. What kind of potatoes does your company process?

A. Dehydrated potatoes, mostly, for the armed forces.

Q. You do not have any of these dehydrated potatoes for home consumption?

A. No.

Q. These processed products which you sell, are they sold through brokers?

A. Yes.

Q. Are they the same brokers which sell your dehydrated onion and garlic?

A. Not in all cases, because the canned food brokers are not experienced in handling dehydrated products.

Q. So you have different brokers?

A. Yes.

Q. Who is your broker for handling these processed products in Chicago, Illinois?

A. Fahrenkamp & Company, for dehydrated products, and Paul Paver, for canned goods.

Q. For how long have they been your brokers in Chicago?

A. Well, Fahrenkamp's been our broker since 1950, I believe—1949 or 1950. Paul Paver has been our agent since 1946, and then for a time he discontinued handling our peaches because of the fact that he was also represent-

2993 ing the Hume Company of California, and he couldn't justify handling the two. But since we discontinued peaches, he took on our canned grapes principally, and carrots.

Q. State the names of the customers that Puccinelli Packing Company has taken away from Basic Vegetable Products since 1951.

A. I wouldn't know.

Q. State the names of the customers that Puccinelli Packing Company has taken away from the Gentry Division of Consolidated Foods since 1951?

A. I wouldn't know.

Q. You did testify on direct examination that you had taken some customers away from either Basic or Gentry, isn't that true?

• • •

Mr. Walker: The testimony was, Mr. Hays, as I recall it, and I believe I am correct, not that he did, but that he believed he had.

2994 The Witness: That is occasionally buyers will switch from one company to another for reasons which we are not familiar with. It may be a matter of supplies or quantities.

By Mr. Hays:

Q. Can you name any of those buyers who switched?

A. No, I couldn't. I wouldn't say that, because I don't know what they buy.

They don't tell me their business. Buyers don't tell me their business. They don't tell me from whom they purchase in every instance.

Q. I show you Respondent's Exhibit 394-A and 394-B, and I ask when that type of information first started being kept as a record in the ordinary course of business by the Puccinelli Packing Company?

Mr. Walker: Again I am sorry, but I will have to object. There has been no testimony that this type of information was kept in the regular course of business by the Puccinelli Packing Company. The only testimony was that this information was obtained from the books and records that were kept by the Puccinelli Packing Company in the regular course of its business.

By Mr. Hays:

Q. When have summaries of this kind—for how long have they been kept?

2995 Mr. Walker: If they have ever been kept.

By the Witness:

A. They have never been kept, to my knowledge.

By Mr. Hays:

Q. This was prepared for this litigation?

A. Very definitely.

Q. What is the source of your information that General Foods is going into the dehydrated onion and garlic business?

A. Well, it's common gossip in California. I have heard it through salesmen that are selling us equipment. They are negotiating with a company for their equipment.

The seed companies have reported that they are negotiating the sale of seed. The companies with whom we are doing business.

Q. Do you have any information that indicates that McCormick & Company is going into the dehydrated onion and garlic business?

A. Yes. They have purchased controlling interest in Gilroy Foods in Gilroy.

Q. Have you imported any dehydrated onion or garlic into the United States for resale within the United States since 1951?

A. Only one year, where we were short of garlic in
2996 California. We manufactured some at our Rovigo Specialty to fill the void here.

Q. When did you have your fire in your plant?

A. In 1954.

Q. Respondent's Exhibit 171 indicates that the Puccinelli Packing Company's market share of sales of dehydrated garlic in 1952 was 12 per cent and in 1953 was 9 per cent. How do you account for that decrease in market share?

A. It may be due to crop conditions. We do not have the supplies available.

Q. It was not due to the fire?

A. In 1954 it was definitely caused by the fire. We lost a lot of onions, and we lost a productive period there that we could not replace.

Q. Did you dehydrate both onion and garlic in the same plant facilities?

A. Yes.

Q. How do you account for the fact that in 1954 the production—well, how do you account for the fact that in 1954 the market share of dehydrated garlic was the same as it was in 1953 for Puccinelli Packing Company?

A. It happens that the garlic was produced prior to
2997 the fire. We do not store onions or garlic at the Livingston Plant where they are produced.

Immediately after production they are transferred to the Turlock Plant. The garlic happened to have missed the fire.

Q. Has General Foods purchased dehydration facilities in California?

A. Yes. They bought the California Vegetable Concentrate Plant in Modesto and other locations.

Q. That company did not dehydrate onion and garlic, did it?

A. No.

Q. Is General Foods Corporation a user of dehydrated onion and dehydrated garlic?

A. I believe so. We have not sold them dehydrated onion or garlic.

Q. Do you know from whom they buy?

A. I do not, no.

* * *

2998 STACEY H. GIFFORD was thereupon recalled as a witness for the Respondent and, having been previously first duly sworn, testified further as follows:

Direct Examination—Resumed

Hearing Examiner Kolb: Back on the record.

Mr. Walker: Mr. Gifford, will you resume the stand, please.

By Mr. Walker:

Mr. Walker: At this time I would like to introduce as Respondent's Exhibit 396, 397 and 398, maps showing respectively the location of Consolidated's processing units, wholesaling units and retailing units.

For ease in following the testimony, I have prepared larger cardboard-backed maps for use in the court room, but the ones that will be going into the record are photostats and of a smaller size.

Hearing Examiner Kolb: Do you offer these in evidence?

Mr. Walker: I will ask that they be marked.

(The papers referred to were respectively marked Respondent's Exhibits 396, 397 and 398 for identification.)

2999 Mr. Walker: I now would like to offer Respondent's Exhibits 396, 397 and 398 in evidence. I can wait until after the testimony, if you prefer.

Hearing Examiner Kolb: Any objection?

Mr. Hays: No, sir.

Hearing Examiner Kolb: The documents will be received in evidence as Respondent's Exhibits 396, 397 and 398.

(The documents referred to, heretofore marked Respondent's Exhibits 396, 397 and 398, respectively, were received in evidence.)

By Mr. Walker:

Q. Mr. Gifford, I would like to have you describe Consolidated's structure and operations at December 31, 1958.

I would like to have you start, if you will, with the processing units which are those shown on Respondent's Exhibit 396, which is the yellow map.

A. Well, let us take Coastal Foods. They are located at Cambridge, Maryland. Coastal Foods is engaged in the processing of a line of soups, that is canned soups, some canned vegetables with meat, but it is mainly in what we term the dry pack items—pork and beans and those beans and franks, and things like that.

3000 Coastal Foods sells most of its production through brokers to chain stores and wholesale grocers in and around the location of its headquarters.

Q. Under what labels?

A. Either under the private label of the customers or under the label of Gibbs or Phillips. But a very small portion of it is under their private label—I mean under their own label of Gibbs or Phillips. Most of the production is under the private label of their customers, which would be chain stores or wholesale grocers.

Q. Coastal Foods is a combination of what units?

A. Coastal Foods is a combination of Gibbs & Company, which formerly operated in Baltimore, and of the Phillips Packing Company, which operated at Cambridge, Maryland.

Q. Is much of Coastal's production sold to other units of Consolidated?

A. Very little.

Q. Go ahead, Mr. Gifford.

A. Well, let's take the Columbia Foods Division. Columbia Foods Division has several plants. One of their plants is out here at River Grove, Illinois, where they roast coffee.

At West Chicago, Illinois, they pack pickles. At Ells-
3001 worth, Michigan, that plant packs red sour pitted cherries, and a small line of vegetables. At Grundy Center, Iowa, Columbia has a plant that packs nothing but dressings, that is, the liquid dressings.

At Sugarland, Texas, is a plant where there is some peas and corn packed, but in the main it is dry-pack items.

At Cambria, Wisconsin, Columbia produces peas and corn.

We have another plant, that is, Columbia, at Chippewa Falls, Wisconsin, but that is merely a receiving station for cucumbers that are put in the salt brine and then sent to West Chicago. It is not really a plant; it is a pickle-receiving station.

In December 31, 1958, Columbia was roasting coffee at Baltimore and out here at Los Angeles. Those coffee-roasting operations have since been closed.

Columbia Foods sells its products through brokers in the main, to chain stores, other wholesale grocers. Practically all of the production, however, is under the label of its customers. They have a small business under their own label, that is small compared to the private label packing.

Q. Is much of Columbia's production sold to other units of Consolidated?

3002 A. Yes. I would say there is quite a bit sold to other units of Consolidated; because the nucleus of the Columbia Division, were the processing plants that were acquired through the acquisition of wholesale grocers, Reid-Murdoch owned some plants, Western Grocers owned some plants, and these were producing solely for the wholesale grocer, so as you put them together they naturally sell a considerable amount to the wholesale and retail units of Consolidated.

Sara Lee is really the Kitchens of Sara Lee, and it is a wholly-owned subsidiary engaged in the bakery business in Chicago, Illinois, dealing in what we call premium baked goods. Those are the all-butter coffee cake, the all-butter pound cake, chocolate cake and banana cake and a few specialties like that. They are sold within a radius of three hundred miles of Chicago in what we term a fresh market.

In other words, overnight, for an overnight delivery out of Chicago, they are sold fresh. In all other parts of the country they are frozen food items.

Practically in the Chicago Metropolitan area the sales are made through what we term driver-salesmen, and, as you get out a little further in some of the suburbs, why, they are sold to frozen food distributors and chain stores.

3003 Also other wholesalers, if the wholesaler has a frozen food division.

Of course, it is all under the label of Sara Lee. They do not pack under any other label than Sara Lee.

Q. Is much of Sara Lee's products sold to other units of Consolidated?

A. The only units of Consolidated they would sell to is the retail units, as they would handle other items in the retail stores.

Next in order would be Gentry, which is a division of the corporation, and which we have heard so much about in this case that I do not think a description of that business is necessary.

Ocoma Foods is located at Omaha, Nebraska. This is primarily a frozen food—Ocoma is a primarily frozen food processor, freezing poultry, frozen food specialties, fruit, poultry, meat, fish pies, and the so-called frozen dinner type specialty.

They do have a creamery, where they make this butter that I testified about this morning. They have plants in Omaha, Norfolk, Nebraska; Holdredge, Nebraska; Nebraska City, Nebraska; Carroll, Iowa; and Berryville, Arkansas.

Their products are practically all sold through brokers. Some sales direct to chain stores, but in the main even

3004 the sales to chain stores are through brokers who, in turn, sell to frozen food distributors, chain stores, and other wholesale grocers, if they do have a frozen food di-

vision—every wholesale grocer does not have a frozen food division.

Q. Is much of Ocoma's production sold to other units of Consolidated?

A. Only as our retail units might handle them as a frozen food item, along with the others.

Orchard Hill Farms is located in Red Hook, New York. They are processors of frozen food specialties, poultry, meat, fruit pies and the dinner-type of frozen foods.

Practically all of their sales are made to chain stores under the private label of chains in their area of operation, in New York City and up in Massachusetts, and along the Eastern Seaboard—not south, of course.

They do have a very small business, oh, I would say much less than 5 per cent of their production is under their own label. Those they would probably sell to a frozen food distributor, but in the main it is entirely a private label and private label of the chain stores in the area.

Q. Is much of Orchard Hill production sold to other units of Consolidated?

A. I am almost positive that none of our units of 3005 Consolidated handle any products from Orchard Hill.

Skipping now out here to California, again we have the Union Sugar Division of the corporation. The Union Sugar is at Betteravia, California, where they have a beet and sugar refinery.

Most of their production is in the bulk sugars, either stored in bulk silos and shipped in bulk, or in 100 pound bags. They do produce some liquid sugar.

Their sales are made through brokers or direct contact by some of the salesmen to the industrial users and processors in California. There is a very small amount of the sugar—I would estimate 5 per cent or less—that is sold in retail packages to one of the California chain retailers.

3006 Q. Does any of their production go to other units of Consolidated?

A. They sell some sugar to the United States Products Corporation, Ltd., which is a wholly-owned subsidiary engaged in processing of canned goods. But other than that, why, Union Sugar does not sell to any other division or unit of Consolidated.

I think the last is designated on here as U. S. P. This is the United States Products Corporation, Ltd., which operates plants at San Jose, Santa Clara and Salem, Oregon, canning a line of West Coast fruits and some vegetables.

Their sales are made through brokers to chain stores, wholesalers—they wouldn't sell direct to an independent retailer. Their customers are wholesalers and chain stores.

Q. Under what label?

A. Oh, almost all under the label of their customers. They have a very small amount of business under their own so-called packers label, but that is small in comparison. I don't think it would run 10 percent of their pack. It's packing private labels for chain stores and other wholesalers, under their customers' control or private label.

Q. Is much of their production going, or did much 3007 of its production go to other units of Consolidated?

A. Yes. Approximately 30 percent of their output is sold to our wholesale distributing units or to the retail units.

Q. Mr. Gifford, do I understand that your answers have been describing the factual situation as it existed on December 31, 1958?

A. Yes.

Q. Let us turn next, then, Mr. Gifford, to the wholesale units. This is Respondent's Exhibit 397, which shows the location of the wholesale units. And again we are speaking as of December 31, 1958.

A. December 31, 1958, yes.

Right near us here, out of River Grove, Illinois, which is a suburb of Chicago, we have our largest distribution center, which handles a full line of dry grocery items, selling to independent merchants in this area, voluntary groups, and some institutional users.

The River Grove wholesale distribution unit, as it is now called, is a combination of the business in the Chicago area of Reid-Murdoch, Sprague Warner, and Royal Blue.

The International Division is out in San Francisco,
3008 California, and distributes wholesale to some of the foreign countries. It is strictly an export business.

Lee Foods was at Kansas City, Kansas, operating a wholesale food distribution, but the major, practically all of its business, was sales to institutional users in and around the Kansas City area.

Morey Mercantile Division was out at Denver, Colorado, operating a wholesale grocery business, serving independent retailers in the Denver, Colorado, area.

Dannemiller Grocery Division was located in Ohio, and it had branches at Canton, Akron and Cleveland, selling to retail independents in the vicinity of their warehouses and some institutional users.

E. A. Aaron, designated on the map here as "Aaron", as I said, was a wholesale frozen food distributor located in Chicago, not going out of the Chicago metropolitan area. This has since been liquidated.

Western Grocer operates what we term a full-line grocery. They have branches at Albert Lea, Minnesota; Davenport, Iowa; Des Moines, Iowa; Mason City, Iowa; Manhattan, Kansas, with their headquarters at Marshalltown, Iowa.

3009 They sell to independent grocers in and around the area of their warehouses, and sponsor, some voluntary groups.

The next one would be Monarch Foods. Monarch

branches are maintained at Minneapolis, Minnesota; Los Angeles and San Francisco, California; Houston, Texas; Jacksonville, Florida; and Somerville, Massachusetts.

These six branches that I have just named handle what we call only the controlled private label business. They are not full-line houses. They handle Monarch, Yacht Club, Oriole, and, in other words, the labels of Consolidated; and they are not full-line houses. They distribute only the private label merchandise owned by Consolidated, and they sell to independent merchants and some of them have institutional departments.

In addition to these branches I have named, we have what we call Monarch Foods branches at Roanoke, Virginia; Baltimore, Maryland; Cumberland, Maryland; and Columbus, Ohio.

These are full-line houses. Some of them sponsor voluntary groups. They vary in size. The Roanoke and Cumberland branches are very small and serve just in a
3010 very small area. The others serve in their area of their warehouse selling to some institutional, but in the main to independent retail grocers.

Have I covered them all? I think so.

Q. Yes, sir.

Now let us take next the retail units shown on Respondent's Exhibit 398. Again would you describe the retail operations at December 31, 1958?

3011 A. The retail operations at December 31, 1958, would encompass the Piggly Wiggly Midwest Co., Inc., which is a wholly-owned subsidiary, with headquarters at Rockford, Illinois, having some stores in northern Illinois. southern Wisconsin, and eastern Iowa.

These are operated as Piggly Wiggly Stores. On that date they had approximately fifty supermarkets.

Klein Super Markets is located at St. Paul. Minnesota, and have retail supermarkets 24 or 25 in number, as of

December 31, 1958 in the Twin Cities metropolitan area, not getting out into the country territories.

Lawson Milk Company is a unit that is a division, that is a processor and a retailer. In other words, the Lawson Milk Company processes dairy products and bakery products that they sell in their own stores.

They have a number of these stores that are what we call the dairy type, known as the dairy type store, the small store, handling the big majority of their business, which is the bakery products and dairy products produced by Lawson; but they do have a small—not a complete line, but a small line of some dry groceries, and some of them carry some frozen food items.

Q. Where are those stores located?

3012 A. Those stores were located in Akron, Canton and the Cleveland areas of Ohio.

• • •

3013 MARTIN P. HANLEY, called as a witness on behalf of the respondent, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Rothe:

Q. What is your name, please?

A. Martin P. Hanley.

Q. What is your home address?

A. 3404 Hazel Lane, Hazelcrest, Illinois.

Q. What is your occupation?

A. I am in charge of the dehydrated vegetable department at Sokol & Company.

Q. In what business is that company engaged?

A. We are distributors of edible feeds, canned fish, dried mushrooms, and we manufacture pastry fillings; we also distribute dehydrated vegetables.

Q. Where is the office of your company located?

A. At 241 East Illinois Street, Chicago, Illinois.

Q. To whom are your edible feeds, fish and mushrooms sold?

A. They are sold to spice grinders and to wholesalers and to processors.

Q. To whom do you sell the pastry fillings?

A. Pastry fillings are sold to retail chains, cooper-
3014 ative buying groups and wholesalers.

Q. Pastry fillings are packed for use by whom, the consumer or processors?

A. The consumer. And also in the bakery trade for bulk users.

Q. To whom do you sell your dehydrated vegetables?

A. Institutional jobbers and to food processors.

Q. Do you sell any of your dehydrated vegetables to wholesale grocers?

A. Wholesale grocers.

Q. Through what channels do you market your products?

A. Brokers and salesmen.

Q. Under what labels do you sell your products?

A. Our pastry fillings are sold under the Solo label, and our dehydrated vegetables are marketed under CVC lebls [sic]—that is in the bulk—as well as our Shield brand for the institutional.

Q. Whose label is the CVC label?

A. That is California Vegetable Concentrates.

Q. Do you act as a distributor for California Vegetable Concentrates?

A. That is correct.

Q. During what period of time has your company sold its products to any units of Consolidated Foods Corporation?

3015 A. Since they began in the business.

Q. What products have you sold to Consolidated Foods?

A. Edible seeds, fillings, and some dehydrated vegetables.

Q. What was the approximate volume of your sales to Consolidated in the year 1958?

A. I would say slightly less than 1 per cent.

Q. One per cent of what?

A. Of our total volume.

Q. What was the dollar volume of your sales to Consolidated in that year?

A. $10,000.00. About ten thousand.

Q. Do you act as a distributor for any producers other than California Vegetable Concentrates?

A. No, we do not.

Q. What are your duties in the dehydrated vegetables department of Sokol?

A. I do the purchasing of all dehydrated vegetables.

Q. How long have you done that?

A. Since 1955.

Q. In what ways does your company use the dehydrated onion and garlic that it buys?

A. We act as distributors, as far as to the institutional jobbers, and we also use it in processing—the onion, not the garlic.

3016 Q. What sort of processing do you do with it?

A. We make a French fried onion.

Q. A French fried onion?

A. Chip.

Q. Where do you get the onion that you use to make the French fried onion chip?

A. We buy both the import and domestic onion.

Q. Since 1955 who has made the decision at Sokol & Company as to your source of supply for dehydrated onion, dehydrated garlic and capsicums?

A. I have.

Q. Who made those decisions in the period 1950 to 1955?

A. My predecessor, Frank Zeman.

Q. Where is Mr. Zeman now?

A. He is employed with Schoenfeld & Son.

• • •

3019 (Said document, heretofore marked Respondent's Exhibit No. 400 for identification, was received in evidence.)

By Mr. Rothe:

Q. Mr. Hanley, this exhibit indicates that since 1955 Sokol has purchased all of its domestic dehydrated onion and garlic from Puccinelli Packing Company.

Why was that?

A. Well, we find as far as the purchasing from Puccinelli, we had no conflict in servicing accounts.

In other words, they wouldn't have direct approach to the type of accounts we would be calling on, and the category of accounts that we had.

Q. In this respect does Puccinelli differ from other producers of dehydrated onion and garlic?

A. They don't have direct salesmen calling on the institutional jobbers, and food processors, to my knowledge.

Q. Do you feel, then, that Puccinelli is less compe-
3020 tition to you in the field?

A. That is correct.

Q. Why have you purchased substantial quantities of imported dehydrated onion and garlic since 1955?

A. Well, there has been a very good market for the import, and it has been cheaper in price than the domestic.

Q. What is the approximate price differential between the imported dehydrated onion and garlic and the domestic?

A. The imported would be or is about one-third less in price, in cost.

Q. From what countries do you obtain imported dehydrated onion and garlic?

A. We purchase it from Hungary, Bulgaria, France, Egypt, Japan and Spain—I don't know if I missed any; I don't think I did.

Q. Any from Italy?

A. From Italy we have, yes.

Q. How about Holland?

A. We bought some through Holland, which was a pre-processed product.

Q. The other countries from which you have purchased —does that involve pre-processed?

A. They are strictly dehydrators.

Q. Let me finish the question. You say they are 3021 strictly dehydrators?

A. They dehydrate the onion and the garlic, and we buy direct from them.

Q. So Holland is the only one that involves the pre-processing, is that correct?

A. Yes.

Q. Do you have an opinion regarding whether the quality of imported dehydrated onion and garlic has changed since 1955?

A. Yes, I have.

Q. What is that opinion?

A. My opinion is that it has become a much better product as far as quality is concerned than it had previously.

Q. To what classes of customer do you sell the imported dehydrated onion and garlic?

A. To wholesalers and to food processors.

Q. Under whose label do you sell the imported?

A. The imported is sold under Shield brand.

Q. Which is your own label?

A. That's correct. And we do some private label.

Q. Private label packing?

A. That's correct.

Q. Approximately how many processors in the Chicago area purchase imported dehydrated onion and garlic

3022 from you?

A. About twenty-five.

Q. What was the approximate volume of your requirements of capsicums in the year 1958?

A. Approximately 50,000 pounds.

Q. Were any of those capsicums purchased from Gentry?

A. None.

Q. Mr. Hanley, prior to the time when you were contacted about testifying in this case, had you ever talked with anyone about a relationship of any kind between your company's sales to Consolidated Foods and your purchases of dehydrated onions, dehydrated garlic or capsicums?

A. No.

Q. Have you ever had any kind of communication on that subject?

A. None.

Mr. Rothe: That is all.

3023 *Cross Examination*

By Mr. Hays:

Q. What determines the volume of your sales, Mr. Hanley?

A. What determines the volume?

Q. The volume of your purchases of dehydrated onion and garlic.

A. Past performance as far as sales are concerned determines it. The purchases. What quantities we would buy.

Q. What do you mean? The amounts you used the year before?

A. That's correct.

Q. Is that all that controls the volume of your purchases?

A. It is the main reason for purchasing, for the volume of purchasing, which we do have.

Q. Are there any other reasons?

A. No.

Q. Was the quality of foreign imported dehydrated onion and garlic better in 1953 than it was in 1958?

A. I couldn't answer that question. I wasn't with the company at that time, that is, in 1953, or purchasing for the company.

Q. Well, what was the first year that you became
3024 familiar with the quality of the imported dehydrated onion and garlic?

A. In 1955.

Q. And was the quality in 1955 better than it was in 1958?

A. No, I wouldn't say it was. It wasn't as good as in 1958.

Q. In what respects was it not as good?

A. It wasn't as uniform in color as far as the appearance is concerned. It was more white, instead of off color, as the years went by from 1955 on. And cleanliness. It seemed to be cleaner as far as the product was concerned.

Q. You mean there were no foreign particles in it? Is that what you mean by cleanliness?

A. Yes. In our receiving the merchandise it had to pass through Pure Food in New York, the port of entry, and to my knowledge, in fact as long as I have been employed there, we had no restrictions or any merchandise that had been detained because of uncleanliness or foreign materials.

Q. Is the quality of imported dehydrated onion and garlic at the present time, that is today, equal to the quality of the dehydrated onion and garlic that you purchased from your domestic supply?

3025 A. Is it equal?

Q. Yes.

A. In quality? As far as we are concerned and our accounts that are buying it are concerned, they feel that it is equal.

Q. Today?

A. Yes.

Q. Did you purchase any dehydrated onion and garlic from any domestic suppliers in 1961?

A. Yes.

Q. How much?

A. In 1961?

Q. Yes.

A. Oh, possibly 10,000 pounds.

Q. How much imported dehydrated onion and garlic have you purchased in 1961?

A. About 15 tons.

Q. Fifteen tons?

A. Yes.

Q. Was the foreign or imported dehydrated onion and garlic one-third lower in price than the domestic?

A. Approximately one-third lower in price than the domestic.

Q. Why did you purchase the domestic?

A. We have accounts that use the domestic, that 3026 would rather use domestic, that is, than the import.

Q. Do you do any selling for Sokol & Company?

A. I do some.

Q. Do you do any selling to Consolidated Foods or any of its divisions?

A. Not direct myself.

Q. Do you have anything to do with the sales of Sokol & Company, that is, you personally?

A. I do handle some sales, yes, as well as purchasing.

Q. Which sales do you handle?

A. The dehydrated vegetables.

* * *

3027 STACEY H. GIFFORD, called as a witness on behalf of the respondent, having been previously duly sworn, resumed the stand and was examined and testified further as follows:

Mr. Walker: Let the record show that Mr. Gifford has resumed the stand.

Direct Examination—Resumed

By Mr. Walker:

Q. Mr. Gifford, you testified before the interruption Consolidated had in relatively recent years expanded into the retail field.

Were any peculiar competitive problems created by this expansion into the retail field?

A. Yes. Well, we anticipated that we were going to have some problems when we went into the retail field. We thought that maybe the independent merchant would not want to buy from our wholesale distribution houses if they had Piggly Wiggly Stores that we were owning in the area.

We thought some of the major chains might not want to buy our products if some of our retail units were in competition with their chains.

I think that it gave us some questions. I think we 3028 worried about it. I think Consolidated has lost some business because we are in the retail business with certain chains perhaps, and certain retailers, but not to the extent that we thought we might.

Some of the chains have hesitated to handle Sara Lee products because they have told their salesmen, well, Sara Lee is owned by Consolidated Foods and Consolidated Foods has a store over here that is in competition with us.

But in the main that hasn't been too bothersome because Sara Lee is nationally advertised, has consumer demand,

and I think we have learned that if you have got a product that they want and they can make money on it, they will buy it. But we still have our fingers crossed a little bit on the deal.

Q. Mr. Gifford, to what extent are the wholesale and retail units of Consolidated Foods Corporation required to buy from Consolidated's processing units?

A. The wholesale and retail units are not required to buy from Consolidated's food processors. We hope that they will buy some of their products from our processors, but they are not compelled to buy.

They are out there operating as individual units. They have got to make money. You can't dictate where they
3029 buy. The margin of profit in the wholesale distribution is so small that they have got to have availability and a source of supply that is close by.

Freight, transportation, is a big item. They have got to buy the things that they can sell, and so we don't dictate to the retail or the wholesale units that they must buy from our processor.

They are free, if they can buy the same quality at less price from somebody else, they are free to do it. If they can purchase a better quality at the same price, they are free to do it. They are standing out there making money in their own individual units, and if you are going to dictate who they are going to buy from, then the control is so great that if they don't make money they say it is your fault, you wouldn't let us be in the market.

They must be in the market for the sources of supply that they feel they can resell and make money on.

Q. Mr. Gifford, you have testified that the processing units of Consolidated have customers outside of Consolidated. Why is it desirable for these processing units to have these outside customers?

A. Well, our processing units must have outside cus-

tomers because the production of our processing units is greater than we could ever sell in our wholesale distribution or in our retail distribution.

3030 For instance, U. S. Products, canning west coast fruits, they are comparatively large canners of fruit cocktail and yellow cling peaches. They also can other California fruits, grapes, canned grape was mentioned here. They have a very small pack of canned grapes.

They can plums, apricots. If they, in selling to other chains and wholesale grocers, if they don't have a full and complete line and with a continuity of every year to offer to the other wholesalers and the chain stores, and they just offer an item that they are long in supply on, they would never keep that customer.

They have a continuity here with customers from year to year, and they offer a full and complete — not a full and complete line, but they offer a fairly complete line of the California fruits. If there is a shortage in some item, Consolidated Foods retail and wholesale units are pro-rated right along with chain stores and other wholesale units in deliveries because they have got to maintain those customers.

Most of these processing units do not have private label with the exception of Sara Lee. I mean, a national label that commands any recognition, and so they have got to have customers to sell their production.

It isn't economically feasible to produce just for our own wholesale or retail units.

3031 Q. You mentioned in relation to the wholesale and retail units the desirability of their having alternative sources of supply, and one of the factors you mentioned was availability.

Could you give us some examples of what you meant by the problem of availability so far as the wholesale and retail units are concerned?

A. Well, the availability has to be, a source of supply has to be reasonably near to that wholesale or retail unit, and it has to be available. If it isn't available from some place, it has got to be available at an alternate source of supply.

The margin of profit is small, transportation costs are high, and it is just good to have two or more sources of supply on any volume. If it is one item that our processor is doing, we might have had a crop failure. The geographical situations of our processing plants are ordinarily far removed from our retail outlets.

Q. Mr. Gifford, you mentioned Sara Lee as having a nationally advertised label. Does Consolidated have any other nationally advertised labels?

A. No. We only have the Sara Lee label that is nationally advertised. We have Monarch and Richelieu, which have probably consumer acceptance, but no consumer
3032 demand, and they certainly are not nationally advertised.

Our budget in our wholesale distribution for advertising is very small. Our products, the advertising is nothing like Hunt's or Del Monte or Libby or something like that. We are very small in that, nor do we have any one man, an advertising man that devotes him to overall company products or promotion.

Q. Mr. Gifford, where is the Consolidated executive office located?

A. 135 South LaSalle Street, Chicago, Illinois.

Q. How many persons are employed in the executive office, excluding the clerical or secretarial personnel?

A. Eleven or twelve.

Q. What officials does Consolidated have in the executive office?

A. The chairman of the board, the president, the secretary, the treasurer, a vice president handling real estate, a

vice president that is administrative assistant to Mr. Cummings, the chairman of the board, and assistant to the treasurer, an assistant to the secretary, and a man that we term the budget director — I don't know as you would
3033 call an official, but he is in the office, a budget director.

Then we have a man that handles the placing of insurance, and a man that supervises what we term a general credit manager, supervising the credit operations in our wholesale grocery distribution, mainly setting the policies and watching the past due accounts.

I think that about covers it.

Q. What are the duties performed by the chairman of the board?

A. The chairman of the board, Mr. Cummings, is concerned, of course, with the top overall policy matters. He is the founder of the company, and he concerns himself only with the top level policy operations of the company.

Of course, he is informed on results, and if the results are not there, why, he may ask some of the management team in the executive office, but he is concerned with top policy-making.

Q. What are the duties performed by the president, Mr. Kennedy?

A. Mr. Kennedy as president is really the operating head of the company and is concerned with the overall operations. He spends a great deal of time on the telephone talking informally to the heads of the units, and we
3034 get reports, financial reports, statements of their operations every four weeks.

We receive minutes of the weekly executive committee meetings that take place in most of our subsidiaries and divisions. Mr. Cummings, Mr. Kennedy, Mr. Everts and myself get copies of those minutes.

He is concerned with the top personnel in these units, discusses those operations with Mr. Everts and myself and

others. He would be the top operating man.

Q. You have described your duties as secretary, and we will have Mr. Everts describe, when he testifies, his duties as treasurer.

What about the vice president for real estate? What does he do?

A. Well, the vice president in charge of real estate has nothing to do with the real estate operations of our retail units.

Mr. Montgomery concerns himself with the long term leases of warehouses or plants or the purchase or sale of property that might be owned by the corporation.

Q. What about the budget director? What does he do?

A. The budget director receives the budgets that are made up by our divisions and subsidiaries. He may
3035 assist, if assistance is needed, he may assist in preparing the budget, but in the main the budgets are prepared by individual units and sent in to the budget director.

The budget director compares them with last year's budget and certain operations, and if they are too low or too high, why, he will probably consult with Mr. Kennedy or Mr. Everts or some of the rest of us, and then make changes and suggest changes to the individual units.

During the year as the operations are continuing, he will take these four-weekly reports — we are on a thirteen period of four weeks — he will take each period report and check it with the budget to see if they are performing according to the budget.

If they are low or not performing to the budget, he may go back to the unit and say what is the trouble here? He would probably also discuss that with Mr. Everts and Mr. Kennedy. But it is checking the budget to see that the operation is living within and up to their budget.

3036 Q. Mr. Gifford, you have described the use of the minutes of the executive committee in the executive

office and also this budgetary control.

In what other way does the executive office exercise control over the operations of the various units?

A. Well, we set up all of the accounting procedures so that we have uniform accounting in all of the units. We are very much concerned with the top managing personnel.

In some units, smaller units, that might be only the manager or operator of that unit. In others, it might be one or two or three top men.

We get reports from each of our units of any increase in salary of personnel exceeding $10,000.00 a year. That they have to report. We are naturally concerned with the personnel of each unit because we try to have the unit have good operating personnel.

We control each division and each subsidiary has their own bank account for the deposit and withdrawal of funds. However, if at any time they need excess funds for inventories or for operations, they are not permitted to borrow. They must borrow and secure their money from the executive office. They are not permitted to go to the bank and make a loan by themselves.

Important legal matters are always referred to the
3037 executive office. In a general way, we receive copies of their union contracts.

Q. Did you mention capital expenditures?

A. Capital expenditures, no unit, either a division or subsidiary, is permitted to make a capital expenditure without referring that request to the executive office for approval.

Now I say no capital expenditure. There is a little leeway there of up to $1,000.00. They could make that capital expenditure if it was an emergency or something like that, but even so, they would report this capital expenditure ordinarily. But anything over $1,000.00, they have to get permission before they make that capital expenditure.

Q. What are the principal areas where each unit is free to make its own decisions?

A. Well, each unit is free to make the day-to-day decisions. You see, these units are set up where they are operated as autonomously as possible. They certainly, the personnel in charge is certainly there operating that business and is authorized to make all the day-by-day decisions.

For instance, in a processing unit, they would decide where they would procure their raw products that they were going to process, and the source of that, whether
3038 it be by grower, by contract on the open market, and the supplies that go into that processing, the packaging supplies.

They would decide the size of the pack, whether they are going to pack large or whether they are going to pack small.

They would also decide all the sales policy of that item and the quality of that item. They decide what we are going to sell this at, what our opening price is going to be.

As far as the retail units are concerned, they would decide whether they wanted to open a store here, or close a store; what items they wanted to promote and sell.

The wholesale houses would have control over their sources of supply, what items they were going to handle, the inventory they were going to handle and how they were going to sell that merchandise, and the price they were going to sell that merchandise.

Q. Is there any difference among the processing wholesale and retail units in the degree of executive office control?

A. Well, there is some degree in the control. If we have got a unit that isn't making the proper return on the investment, why, we would certainly call that unit
3039 to task and put more control into that.

That is, try to work out and see what is wrong, cut it down to size, get rid of the unprofitable operations, and

suggest this and that; and if it didn't work out, we would liquidate it.

I would say that there is a little bit more control in the wholesale distribution than there is in the retailing or in the processing. The wholesale distribution, we were fundamentally a wholesale grocer, and there is a little bit more control and there is a narrow margin of profit there, and perhaps the outlet for the ordinary wholesale distributor is not as good as for other components of the business.

Q. What are some of the methods you use to build up the independence of the individual units?

A. Well, we strive to have strong personnel in that unit, a top man that knows his business and can run that business and surround himself by efficient help, so that the personnel can operate efficiently.

We point out to the unit that that unit must operate individually, must produce a profit, a return on the investment. If they don't, why, they know that they are going to be disposed of or liquidated.

Then we also have a bonus plan. In other words, if Consolidated overall makes a profit, that doesn't
3040 mean that a man in an individual unit will get a bonus.

If his individual unit that he is employed with makes a profit, he and the key men in that unit will participate in the bonus that is based on the earnings of that individual unit.

3041 Q. What type of central processing standards or quality control standards does Consolidated maintain for its processing units?

A. None whatever. They determine their own quality.

Q. To what extent does Consolidated engage in centralized advertising or promotion of its products?

A. Well, I think I testified that we had no single advertising or promotional department or man and we don't — we are not large advertisers. We are very small advertisers. We have no advertising program.

Q. What has been the trend in use of salesmen by Consolidated wholesale units, Mr. Gifford?

A. Oh, the trend has been down in the wholesale units. They are practically eliminated.

Q. Why is that?

A. Why, from the expense of the operati n. The old traditional wholesale grocer went out, had ac ance salesmen that went out and called on all of the s res up and down the street and took an order, wrote it up, sent it in to the warehouse, and the warehouse delivered it.

Today that retail merchant is furnished with a preprint order form on which he checks off the items that he
3042 wants and then it is delivered to him without the use of the salesman. The preprint is the modern way of doing the wholesale distribution business, and it is growing even in the institutional field.

We still have some institutional salesmen, but even the preprint is growing among the hospitals, restaurants and institutions. There are a few of our smaller wholesale units that still have some salesmen, but it is declining very rapidly.

Mr. Walker: This is Respondent's Exhibit 399, that missing exhibit, your Honor, which is a preprint order form for the Consolidated Foods Corporation, Kansas City Division. I would like to offer Respondent's Exhibit 399 into evidence at this time.

Hearing Examiner Kolb: Is there any objection, Mr. Hays?

• • •

By Mr. Walker:

Q. Is this typical of the preprint order forms that are used by Consolidated Foods Corporation whole-
3043 sale distribution units?

A. Yes, it is typical of the preprint order form that is used in our wholesale distribution units.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document may be received into evidence as Respondent's Exhibit No. 399.

(The paper referred to, heretofore marked for identification Respondent's Exhibit 399, was received in evidence.)

By Mr. Walker:

Q. Mr. Gifford, what impact has this order form system had on the selection of products carried by the wholesale units?

A. Well, it has had a very decided impact on the products that you carry. In other words, you don't have a salesman out there soliciting and urging the retailer to buy your private label. He is operating his own business and he is purchasing. He goes down here and purchases what he thinks he needs and what he thinks he can sell.

The preprint is nothing but an evolution of the times from the old retail store where you had service and delivery, and the storekeeper stood behind the counter, and
3044 if a woman wanted a can of peas or a can of corn, he would reach behind in the shelves and say, "This is a good can of corn," and she would take it, or she would telephone in the order.

Today the consumer goes into the self-service store and goes down the aisle and picks out the brands that she wants. Naturally, the retailer is going to order the brands that move off his shelf and he thinks will sell and nationally advertised brands. So we have to handle everything that that merchant thinks is necessary in his store if we are going to service that retailer.

We don't handle the items that we think will sell. We handle the items that he thinks will sell. We may try to convince him that he shouldn't have three or four different items of the same, that he ought to handle all the nationally advertised brands of, say, peas or something like that, but

he determines what moves from his shelves and what he wants, and if we are going to service him, we have got to give him what he feels will sell. So it has had a decided impact on the items that we carry and our methods of doing business.

Q. Why has Consolidated not tried to develop nationally known labels?

3045 A. Well, it has seemed impractical and, well, impossible. With the advent of chain stores, nationally advertised products are sold in chain stores. That is the way the chain stores got their volume, by advertising and handling nationally advertised or presold labels—presold, consumer demand, large advertising.

Consolidated Foods wholesale distribution was known as a wholesaler, not as a processor. At one time both Monarch and Richelieu in their operation of the business advertised "We sell only to independent stores." This made the chain store a little reluctant to buy because he had gotten along without us and we never had sold him.

On the other hand, he wants to buy from the processor, the manufacturer, direct, rather than through a wholesaler, and we were known as a wholesaler.

Unless you can get chain store distribution, why, there isn't much sense to our way of thinking of advertising Monarch and Richelieu. You can force, perhaps, in some instances, a certain amount of consumer acceptance or distribution by large advertising expenses, but we have never been able to do it except in the case of Sara Lee,

3046 which started out with advertising and promotion and continued it and was in the chain stores.

3047 Q. To what extent, Mr. Gifford, do the salesmen in Consolidated's various units handle products for the units of Consolidated?

A. They do not handle products for other units of Consolidated.

Q. Why is that?

A. Well, they are calling on a different type of a customer. The salesman in the wholesale distribution is calling on a retailer and selling him the products. In some cases, of course, he is calling on institutional users.

The processing units are mainly selling to wholesale grocers and chain stores, and it just isn't feasible. They don't call on the same type of customer. They don't have the same items to sell. We have never found that it worked out.

They are busy selling their own products, and you must remember in a large majority of our processors, the merchandise is sold through brokers, not through the processor salesmen.

Q. Mr. Gifford, has Consolidated taken any steps to spread its brands, that is, to have newly acquired processing units used in place of the brands that they use on sales to outsiders the existing brands, such as Monarch or Richelieu?

3048 A. No, I know of no instance where we have had a newly acquired processor and said, well, you could do better putting a Monarch label on your item or Richelieu label. These processors, the Kitchens of Sara Lee, we wouldn't have gained anything by putting Monarch on their Sara Lee products.

Gentry had their own following, with their own label, and it wouldn't have added anything if they could have said we have got Monarch dehydrated onions and sell it to their customers. We have never found it practical or thought it practical.

Q. Would you please describe the circumstances surrounding the acquisition of Gentry by Consolidated in 1951?

A. Well, the matter was called to our attention by a business broker here in Chicago by the name of Carroll —

laughingly, to his face, we call him "Half of per cent Carroll" because he got such a small commission for bringing it to us.

Anyway, Mr. Carroll came in and talked to Mr. Kennedy and Mr. Cummings, and told us that there was a business on the west coast known as Gentry that was available; that the owners, Mr. and Mrs. Clausen, wanted to take care of their holdings and put their house in order, and that it was available.

3049 We sent a man out from San Francisco. One of our men from San Francisco went down there and looked it over and reported that it looked like it might be a good buy, a company that would make some profit for us.

We made an offer to Mr. and Mrs. Clausen, and it was accepted, and we made the purchase.

Q. What price was paid for Gentry?

A. 66,546 shares of Consolidated common stock for the assets of Gentry.

Q. How did you evaluate the price?

A. We thought it was a very reasonable price. It was one of those sort of bargain prices. As I recall, the net asset value of the Gentry assets at the time of acquisition was 1,600,000, and the market value of the shares that we paid was right around a million dollars.

Q. At the time of the acquisition of Gentry, what consideration was given to the integration of Gentry into Consolidated?

A. Well, there was no consideration given to the integration. They were in a dehydrated onion-garlic and capsicums business. We probably assumed that some of our processors could use some of their products, and maybe did to a very small extent, but there was no consideration given to buying Gentry so that they could service our processors or our wholesalers.

3050 Q. Mr. Gifford, where is the west coast buying office located?

A. 230 California Street, San Francisco, California.

Q. Would you please describe the operations of the west coast buying office?

A. The west coast buying office is purely concerned with procuring private label west coast merchandise. The way it works, the wholesale distribution unit or retail distribution unit will send a requisition to the west coast buying office of certain items that he wants to purchase. The west coast buying office will then contact the canners or others, and try to fill that order.

It is only private label merchandise. Any of the nationally advertised items produced out there, he has nothing to do with that.

Q. Where is the central buying office located?

A. At River Grove, Illinois.

Q. Mr. Gifford, about what per cent of all purchases for resale by the wholesale and retail units of Consolidated are handled by the central buying office and the west coast buying office?

A. I would estimate around two per cent.

Q. What use do the processing units make of the central buying office or the west coast buying office?

3051 A. They make no use of any of the two buying offices except maybe to call on them as they would another customer and sell private label merchandise.

But they make no use of the offices other than to call on them.

Q. What use do the retail units make of the central buying office or the west coast buying office?

A. The retail units would send requisitions to the west coast buying office for private label, that is, our own control label, Monarch and Richelieu. They would send out requisitions to the west coast buying office.

The retail units make no use of the central buying office except to learn from them the authorized source of supply of a private label owned by Consolidated.

3052 Q. Mr. Gifford, what has been the participation by any of the executives in the executive office of Consolidated in the preparation of the authorized supplier list?

A. None whatever.

Q. I would like to show you, Mr. Gifford, Respondent's Exhibit 192, which is a list of the types of customers that are sold by the Gentry Division of Consolidated Foods Corporation. I would like to direct your attention to those classifications of customers that bear the code number 02 through 11, that is, omitting 01, 12, and 68 to 98.

From which of these classes of customers, that is 02 to 11, do none of the Consolidated units every buy from?

A. Well, none of the Consolidated units would ever buy from a grocery chain, a caterer — unless they were going to give a party or something. They certainly wouldn't buy from the government. They wouldn't buy from an institution. They wouldn't buy from a produce dealer. They wouldn't buy from a restaurant chain.

Q. In buying here, we are talking about the buying of products for retail, is that right?

A. For retail, that is right.

3053 Q. Which of the Consolidated units would normally buy from food manufacturers, or, as we sometimes call them, food processors?

A. Well, our retail units and our wholesale units would buy from food processors, food manufacturers, if we want to use that term. They would buy from food manufacturers and processors, the retail and wholesale units.

Q. Are there any instances where a processing unit would buy from another manufacturer or processor?

A. Ordinarily not. It would depend, if that manufacturer was in some line or if he was packing some season-

ing, they would buy from a manufacturer if he was packing the seasoning they could buy. Ordinarily a processor would not buy from another. Sometimes there might be instances where an accommodation sale or pick up an item they are short on, but ordinarily a processor does not buy from another food processor.

Of course, a processor would buy sugar, and sugar is a food process or food manufacturer, if you want to term it that way. But ordinarily they don't buy from another food processor.

Q. Of course, they might buy if the other company that was a food processor carried on an allied line of busi-
3054 ness that was in one of these other categories, is that right?

A. Oh, yes. That is true.

Q. Mr. Gifford, which Consolidated units might buy from repackers, jobbers or distributors?

A. Well, our wholesale units might buy from a repacker. They might buy from a jobber also. For instance, wholesalers like H. J. Heinz might be called a jobber of Basic onions. Otherwise he is a manufacturer, but they do job wholesale onions, and some of our wholesale units buy from H. J. Heinz as a jobber.

From a distributor, it would be just a little fill-in or something.

A repacker, that is, if that is a repacker of spices, by both the wholesale and retail units, and the processor could buy from that repacker.

Q. Defining jobber in the sense of a company that sells primarily to institutional users, would Consolidated units be likely to buy from such a company?

A. No.

Q. Mr. Gifford, do you recall the testimony of Mr. MacMillan of the Woolson Spice Company when he testified that his company had obtained the contract for private

label packing of spices for Consolidated?

A. Yes, I was here and heard him testify.

3055 Q. Do you recall that he also testified that his company bid on the extract business but did not obtain that contract?

A. He so testified.

Q. What company did receive that extract business?

A. Fred Fear of New York.

Q. Mr. Gifford, you have talked some in some of your answers about the Consolidated units that purchase these spices or seasonings. Taking one company, would you please describe the spice business that is conducted by McCormick & Company?

A. Well, McCormick & Company are located in Baltimore whether they repack or grind a complete line of spices for the retail trade. These spices are sold almost entirely in the eastern part of the United States. They do get out here as far west as Chicago, but mainly they sell a complete line of spices to the retail trade in the eastern half of the United States.

They have a division out on the West Coast known as Schilling. This is a division of McCormick, and Schilling packs a full line of spices, or some of them they grind and mix, but it is a full line of spices for the retail trade in the western part of the United States.

3056 Q. To what extent do these McCormick and Schilling spices use dehydrated onion and garlic?

A. Oh, they use dehydrated onion and garlic — each of them has an onion salt and a garlic salt, and I believe that they also have a package of instant onion. Then they use, I would say, a considerable amount of dehydrated onion and garlic in their spice mixes and their blends.

Q. Mr. Gifford, what is the corporate relationship between Consolidated and College Inn Food Products Corporation?

A. There is no corporate relationship between Consolidated Foods and College Inn. Mr. Nathan Cummings, chairman of the board of Consolidated Foods, and his family own College Inn Foods Products Company.

3057 Q. When did Mr. Cummings and his family acquire College Inn?

A. They acquired College Inn in December of 1953.

Q. That was December 31, 1953?

A. December 31, 1953.

Q. What is the corporate relationship between Consolidated and the Rival Packing Company?

A. There is no corporate relationship between Consolidated Foods and Rival Packing Company. Mr. Cummings is one of the, well, he is the controlling stockholder in Associated Products Corporation, which owns Rival Packing Company.

Q. When did Mr. Cummings through Associated acquire Rival Packing Company?

A. In October — wait a minute — in April, 1956.

Mr. Walker: No further questions.

Mr. Hays: I have just a few questions, your Honor.

Cross Examination

By Mr. Hays:

Q. Mr. Gifford, I show you Respondent's Exhibit No. 399, and direct your attention to page 1 thereof, the page numbered 1.

I notice that after the listed products, there are blanks on that page. What are the blanks there for?

3058 A. This is set up on the IBM, as I understand it, and they leave blanks for fill-in of other items, blank numbers. Oftentimes a retailer merchant might want another item, and he might write that in there.

We might have that in stock or we might be able to get it for him, but it is unusual.

I think you will find pages where there isn't too much of that, but through the book it has been customary to leave some blank pages.

Once in a while, why, you have a special going out, and you will give it a number and hope that he will give it the right number and write it in where it belongs. It isn't always done.

Q. So the blanks are left so that the retailer can write in the names of certain products which you might not have printed on this list?

A. Well, I don't think that is a full and complete answer. I know at times they have done it, but I think the blanks are left primarily for the addition in the IBM setup of different items under, for instance, apples here, you have got Comstock, Monarch, Musselman, several listed items.

Now there might be another item that we decide to handle, and that number would fit right in there, number seven, or other items.

3059 Q. Still looking at page 1, the first column there under apples, the first number is 0002, next 0003, next is 0004, and the next number is 0006.

Does that indicate that at some time you carried in a previous issue of this order blank a number 0005 with an item?

A. I would think it would, yes.

Q. And where there are skips in numbers throughout this order book, would that be true for each of those skips?

A. It might not be because they carried items. It could be because they carried items or that they anticipate that they are going to have items at some future time in the same general category.

Q. I thought that was what the blanks were for.

A. Well, the blanks, but you also skip numbers.

In other words, you will notice that they push them up there, leave the blanks at the bottom rather than have

a blank space between each item.

Q. Who prepares these books?

A. These are prepared by the distribution unit wherever they are operating.

Q. In other words, a different book for each distribution unit?

A. Yes, but these are typical of the other units.

3060 Q. And the other units presumably carry some of the items in this exhibit?

A. They would carry some of them. They necessarily wouldn't carry them all, but there is an interchange of books. For instance, one of the units might send their book to the other units.

Q. Who prepared this book here, Respondent's Exhibit No. 399?

A. That was prepared by the Kansas City Division.

Q. Are they all set up in a similar manner as this?

A. In a very similar manner.

Q. The numbers and blank spaces?

A. Numbers and blank spaces for the merchant to check out his needs and he mails this. This is sent to him, and he mails this in to the warehouse.

Q. With reference to your testimony concerning the possible adverse effect of Consolidated Foods entering into the retail food business, the first retail chain you purchased was Klein's?

A. No. Piggly Wiggly Midwest of Rockford, Illinois. Klein's was the second.

Q. And you had the experience with Piggly Wiggly Midwest to determine whether or not that has adversely affected you, have you?

3061 A. Yes, we have had some experience in that.

Q. You have had the experience with Klein's to determine whether that has affected you adversely?

A. Yes.

Q. Now have you purchased any other retail food chains other than those listed here at any time?

A. Yes.

Q. What chains?

A. We purchased what is known as the Quality Food Stores, who operate a small chain in southern Minnesota, which is now a part of the Klein operation.

Q. When did you purchase those stores?

A. Those were purchased in 1959, and at the time I think they operated 14 stores in southern Minnesota.

Q. And you have had the experience of that acquisition to determine whether or not your entry into the retail business had affected you adversely, is that true?

A. Yes, sir.

Q. Have you purchased any other retail food operations, other than those you have mentioned?

A. We haven't completed the purchase of any other.

Q. You are contemplating purchasing a large chain?

A. We have a contract to purchase a chain of 38 stores that hasn't been consummated as yet.

3062 Q. Mr. Gifford, I show you a document which has, I believe, been marked for identification as Commission Exhibit 14-A, B and C.

Do you have that?

I show you Commission Exhibit for identification 14-A, and ask if that is a letter that was sent by you to George Clausen, as indicated thereon?

Mr. Walker: Your Honor, I am forced to object. Mr. Gifford's testimony as a part of his direct examination was not related in any way to the subject of reciprocity that is involved in this exhibit that Mr. Hays is now interrogating the witness about.

I will object to the interrogation on the ground it is beyond the scope of the direct examination.

* * *

3063 Hearing Examiner Kolb: I think Mr. Gifford's testimony was sufficiently broad to warrant going into this question.

By Mr. Hays:

3064 Q. Did you send that letter, Mr. Gifford, or have it sent?

A. Yes. I believe it was a letter dictated by me. I see that I didn't sign it, but certainly it was signed by my then secretary, who had authority to do it, and she was so instructed to mail it, and I am sure it went out.

Q. Did it carry the attachments which are marked for identification as Commission Exhibits 14-B and 14-C?

A. I assume—I am quite sure it did. That was the purpose of sending the letter.

Q. Were documents similar to Commission Exhibit for identification 14-B and -C sent to Consolidated distributing divisions as indicated thereon?

A. I believe—we wrote all divisions as per the letter attached, yes, sir.

Mr. Hays: We offer Commission Exhibit for identification 14-A, -B and -C.

• • •

3065 (The papers referred to, heretofore marked Commission's Exhibits 14-A, 14-B and 14-C for identification, were received in evidence.)

Mr. Hays: That is all, your Honor—Excuse me. I have one more question, please.

Q. Did Consolidated Foods acquire Smart and Final Iris Company of Los Angeles, California?

A. No, sir.

Q. You did not?

A. We had a deal on, but it fell out. We did not acquire Smart and Final.

Q. And neither did Mr. Cummings or any of his people buy it personally?

A. No. That was purchased by a regional chain out there. I just don't recall, but we were negotiating for the purchase, but it never went through with us or with anybody connected with us.

• • •

3066 H. J. EVERTS was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. H. J. Everts.

Q. Where do you live, Mr. Everts?

A. 1150 North Lake Shore Drive, Apartment 22C, Chicago, Illinois.

Q. What is your occupation, sir?

A. I am vice president and treasurer and a direc-
3067 tor of Consolidated Foods Corporation.

Q. How long have you held the position of treasurer?

A. Since 1954.

Q. How long have you held the position of vice president?

A. Since 1955.

Q. How long have you been a director?

A. Also since 1955.

Q. Will you please describe your duties as vice president and treasurer, Mr. Everts?

A. Primarily I am responsible for the financial operations of the corporation. That includes the borrowing of money, the allocation of funds to the various units, also seeing that funds are made available to the executive office from the various units.

I am in charge of accounting and with Mr. Cummings,

chairman of the company, and Mr. Kennedy, president of the company, and Mr. Gifford, I get into the various operational policies and problems.

Q. Mr. Everts, will you please describe the ways in which the executive office of Consolidated controls the financial operations of the individual units?

A. Well, each of our units operates to a large extent as an independent autonomous unit with certain controls.

3068 One of the controls, the one with which I am most directly in contact, of course, is the financial controls.

At the beginning of each of our fiscal years or just before the beginning of each of our fiscal years, each one of our units submits an annual budget. This, in effect, is a forecast of sales and profits and of the cash requirements during that year.

This is reviewed in our office, in the executive office.

At the end of each of our four-week accounting periods, each unit submits a fairly complete and detailed financial statement, including balance sheet and operating results. These too are reviewed by the officers and checked in more detail by the director of budgets in our office.

We also get reports from the executive committee meetings in each unit, and these frequently deal with the financial matters with which I am directly concerned.

We control the capital expenditures of all units by a rather rigid program or strict program whereby each unit,

3069 before they are permitted to make an expenditure for capital assets, fixed assets, must submit a request provided the expenditure is $1,000 or more.

This is reviewed in the executive office, and before the unit is permitted to spend the money, it must be approved by the executive office.

3070 Q. Were you through?

A. No. I was just searching my mind for what

other controls we might have.

Q. Did you mention the budget? I am sorry, I was distracted for the moment.

A. Budget, yes. We have the budget at the beginning of each year.

Q. What criteria do you consider, Mr. Everts, in deciding whether to approve these capital expenditure requests?

A. Primarily whether the profit of the unit would be sufficient to justify the expenditure of the money.

Q. Would you please describe, Mr. Everts, the mechanics of how the cash flow between the central office and the individual divisions is handled?

A. Each division maintains it own bank account or bank accounts. As the funds may build up in the bank account in excess of the requirements of that division, they transmit the money to the executive office.

By the same token, if the divisions need funds for financing seasonal inventories or capital expenditures, they notify us of that, and we provide the funds from our office.

Q. What are the mechanics of the cash flow for the subsidiaries as opposed to the divisions?

3071 A. The subsidiaries also maintain their own bank accounts. When we supply funds to the subsidiaries, it is done on a loan basis.

We actually receive from the subsidiary a loan — I mean a note, evidencing that loan, which they ultimately repay.

3072 Q. What interest rate is charged to the subsidiaries on these loans?

A. The standard rate is one per cent over the prime rate — whatever that may be.

Q. How do you take money out of the subsidiaries, Mr. Everts?

A. Well, beyond what they send back in repayment of the money loaned to them, we don't take money out of the subsidiaries.

Q. Haven't the subsidiaries paid any dividends to the parent corporation?

A. No, we have never had dividends from our subsidiaries.

Q. Why is that?

A. Well, each subsidiary is operating on its own, and the profits from that subsidiary are put back into the same subsidiary so that they use their own profits that are generated by the unit for their own financing, for expansion, and so forth.

Q. Where does Consolidated obtain its cash, the cash that it needs to advance funds to its divisions and subsidiaries?

A. Primarily from certain of the divisions, plus borrowings from banks or in some cases insurance companies, plus, on some occasions, and this is the exception and
3073 not the rule, actual liquidation of certain operations or disposal of operations.

Q. For what purpose are funds advanced to the divisions and subsidiaries?

A. To finance seasonal inventories, to provide funds for capital expenditures, and, to a lesser extent, for other expansion purposes.

Q. Will you please explain what you mean by the seasonal inventory problem?

A. Well, in our processing units particularly, we have certain operations that pack a large percentage of their total product within the course of a few months. This they must do because the crop is only available during that few months, and they must have a sufficient pack to provide sales for a full year.

So obviously during that period of a few months they require substantially more funds in order to pay for the raw material and supplies, and so forth, that go into their inventory.

To a lesser extent, that may be true even with our wholesale and possibly retail, because there is a heavier volume of food business done in certain parts of the year, primarily the late fall and early winter, and it is necessary for them to build inventories up at that period.

3074 Q. What criteria are considered in the executive office in deciding whether and to what extent to advance funds to the divisions in the subsidiaries?

A. Well, once again it is based purely upon whether or not we feel that the division or subsidiary can justify the use of that money by producing profits relative to the investment we are putting in there.

If any one of our units is unprofitable, first we try to find out why and try to find out the answers to make it profitable. But if we cannot find the answers or cannot make the unit turn the corner, we don't spend too much time in getting our money out of it.

Q. By that you mean selling it?

A. Selling it.

Q. To what extent is Consolidated engaged in the practice of subsidizing lost operations in one or more units by using profits in other units?

A. We have never done that. Each unit has stood on its own and, as I said before, if it cannot produce a profit, we dispose of it.

Q. How do you keep track of your investment in the divisions as opposed to the subsidiaries?

A. In the divisions we have what is called a control account in our accounting department. Any money that is sent from our office to the division is charged to this

3075 control account, and any money which they remit, which the divisions remit to the executive office, is credited to the control account.

Each division has a so-called contra account or similar account on its own books, which ties in with the control

account that we have.

In addition to the money that we send them or the money that they send us, we do have certain other charges made to the control account or divisions.

We would have the interest charge that we make, we have the service charge of the executive office, we would have charges for insurance which we maintain in the executive office, and there might be other miscellaneous charges.

But those are the principal ones.

3076 Q. I would like to show you Respondent's Exhibit 182, Mr. Everts, and ask you whether this embodies the figures that go into the control account for the divisions. This exhibit is for the Gentry Division and includes other materials other than the control account, but does it also include the control account as you have described it?

A. Yes, it does.

I might further expand the control account by saying that in effect it represents the net investment or the net worth of that subsidiary. That is exactly what it represents. This does represent that.

Q. In referring to Respondent's Exhibit 182, the investment or net worth as you have described it of the Gentry Division would be the figures that are shown in column No. 1?

A. Yes.

Q. Mr. Everts, how is the insurance charge computed that is a part of this control account?

A. We maintain a master policy, or rather we buy a master policy in the executive office for all of our units. One premium or advance deposit is paid, but our insurance

3077 department breaks it down according to the assets or the liability or the risk of each individual unit and prorates the total cost on the basis of the actual facts for each unit to each unit and makes the charge on that basis.

Q. How is the interest charge for the divisions computed, that is also a part of the control account, as you have testified?

A. The interest charge also relates to the prime rate, but is always lower than the prime rate.

Q. On what amount is the interest charge figured?

A. Interest charge is figured and charged on whatever the control account actually is at the close of the preceding four-week accounting period.

Q. Would that be the figure corresponding to the figure that appears in column No. 1 on Respondent's Exhibit No. 182 at the end of the period? Do you understand my question?

A. No.

Q. Let me rephrase it, please. On what figure would the interest charge for the Gentry Division be computed if you were computing this interest charge, let us say, on June 30, 1959?

A. It would be computed on the figures shown in the first column, $3,950,754.

Q. How is the service charge computed?

3078 A. We don't have any exact formula for computing the service charge. We based it on the size of the division or subsidiary—well, you specified division. On the size of the division, which would include the sales and the profits. And also on how much time is spent by the individuals in the executive office on work directly pertaining to that individual division.

Q. What is the theory of the service charge?

A. It is supposed to pass on to the units of the company the costs of the executive office.

Q. How do the subsidiaries pay their share of these expenses?

A. The amount of the service charge is figured just exactly the same way as the divisions, except in the divi-

sions' case we charge it to the control account. In the case of the subsidiaries we bill them, and they send us a check for it.

Mr. Walker: No further questions.

3079 *Cross Examination*

By Mr. Hays:

Q. For what length of time do you advance funds to your subsidiaries or divisions?

A. All of the advances we make to subsidiaries are on a demand note. That does not mean that we will demand them the next day, of course.

The advances to the divisions are not made on a note; they are merely recorded in the control account.

As to the time, that again would go back to the original review of the division's or subsidiary's budget for the beginning of the year. In other words, at the beginning of the year, when we get the budgets, we look at them and look at the cash requirements primarily—at least, I do—I would say much as a banker does for setting up a line for an individual company.

If they show they need $3,000,000.00 to operate that year, we will expect to advance them $3,000,000.00 sometime during the year. We would not necessarily expect to get all of that back by the end of the year, depending on how much of that was being used for expansion and how much was being used for financing seasonal operations.

If it is financing seasonal, we would expect to
3080 get it back by the end of that fiscal year. If it were expansion, we would not necessarily expect to get it back that year. We would expect to get it back ultimately out of profits.

Q. How long would you expect to wait before you got your money out so far as the seasonal?

A. The seasonal?

Q. Or operating advances. As far as they are concerned.

A. Normally we would expect to get the operating or seasonal advances back within that fiscal year. The length of time as to months would depend on the individual unit. Some would come back more rapidly than others.

Q. What is the length of time for the Gentry Division of Consolidated Foods?

A. Normally they would have a one-year cycle. That is, they would have the funds back to us by the end of the fiscal year or possibly, in their case, two or three months before the end of the fiscal year.

Q. Has it ever happened that they did not have the funds back?

A. Yes. In several years—you are talking about seasonal funds?

Q. Yes.

3081 A. Excuse me.

Q. With regard to Gentry. I am talking about the Gentry Division.

A. Let me put it this way: There have been years in which the funds advanced were not all returned. However, those were years when there were substantial investments in fixed assets, capital assets; so they did not all come back in that year.

As to the exact earmarking, how many dollars go to seasonal inventories or how many dollars go to fixed assets, we do not break it down to that fine a point. But we do know approximately what we should expect back from the seasonal requirements.

Q. How much per year did you expect back from the Gentry Division on advances for capital investments?

A. How much per year?

Q. Yes.

A. We would have no requirement that on capital investments they would have to have that back to us within a

specific period of time. We would expect that through these capital investments they would increase their profits eventually to the point where they could repay them.

Q. That is one of the principal ways that your operation differs from an independent concern going and
3082 borrowing from a bank, is it not?

I mean your divisions don't have to have any specific time to pay back, while an independent person borrowing from a bank would.

A. There is a difference, yes, sir; but I wouldn't say they don't have a time. It is not as specific as it would be with a bank, true.

On the other hand, banks also have long-term loans, where they know there may be several years involved.

Q. They don't have long-term loans for everybody, do they?

A. With good credit. And we feel that our operations who could justify the loans would have good credit.

* * *

3083 AL LERNER was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your full name, please?

A. Al Lerner.

Q. What is your occupation, sir?

A. I am a vice president of Consolidated Foods Corporation, and I am general manager of the River Grove distribution unit.

Q. Would you state your home address, please, Mr. Lerner?

A. My address is 4700 West Estes Avenue, Lincolnwood, Illinois.

Q. What are your duties in the positions that you have mentioned as vice president and general manager of the distribution division?

A. As a general manager of the distribution division I am in charge of the operation of the River Grove building. That is at River Grove, Illinois.

Q. How long have you held this position?

3084 A. As general manager?

Q. Yes, sir.

A. Since October of last year.

Q. Would you please describe the River Grove operation briefly and in general terms?

A. Yes. It covers distribution of merchandise to the customers of the River Grove unit and also houses the Columbia Foods coffee plant and offices.

Q. Does it also contain or house the central buying office of Consolidated?

A. It also has the central buying office, that's correct.

Q. When did you first start working for Consolidated, Mr. Lerner?

A. In 1952.

Q. Would you please describe the positions you have held with Consolidated since that time?

A. For one year, from 1952 to 1953, I was the head buyer for the Royal Blue Division.

In 1953 I was made director of purchases and held that position until October of 1960. At that time I was made general manager of the River Grove distribution unit.

Q. How long have you been a vice president of Consolidated?

3085 A. About five years.

Q. What were your duties when you were director of purchases?

A. As director of purchases, we purchased everything that the River Grove distribution unit sold, and we also

set up source of supply for private label merchandise for our wholesale and retail units.

Q. Did you also do some purchasing for the individual distribution units?

A. We did some purchasing for them as a matter of convenience. It wasn't too much.

Q. Have you or anyone else at River Grove or at the executive office of Consolidated had any supervision or control over the purchasing of products for the processing units of Consolidated?

A. No, none at all.

Q. Have you or anyone else at River Grove or at the executive office had any supervision or control over purchasing for the retail units of Consolidated?

A. Only to the extent that we designated source of supply on private label merchandise, and we may have occasionally purchased some other items for them as a matter of convenience.

Q. Would you please describe the purchasing procedures followed by Consolidated's distribution units 3086 on products purchased under the packer's label?

A. The products purchased under the packer's labels, the various units buy direct from the packer.

Q. Would you please describe the purchasing procedures followed by the Consolidated distribution units on products purchased under Consolidated's private labels?

A. For private labels they have the option of either going direct to the authorized supplier or sending their order to the central buying office at their own discretion.

Q. How do you keep a record of these authorized suppliers?

A. There is a list which is available to all the units.

Q. Are specific companies named in this list as authorized suppliers for each product?

A. To a great exent, yes, although some products, where

we have a lot of suppliers, were merely designate the geographical area.

Q. Could you give us an example of that kind of designation?

A. Yes. For example, in the State of Wisconsin we have probably got, oh, ten suppliers for canned peas. Rather than list all the suppliers, we would just say,
3087 "F. o. b. Wisconsin."

Q. About how many companies are designated at any one time as authorized suppliers for all of the private label products?

A. Oh, several hundred.

Q. In those instances where you do not list specific companies as authorized suppliers but merely designate an area, as you have described in the case of Wisconsin, how do the individual units know the names of the suppliers in that area?

A. They know the names by experience. If they have any doubt, all they have to do is contact us and we will tell them.

Q. How do you know that the individual units do not buy from unauthorized suppliers?

A. The central buying office controls the labels so that if a unit made a purchase from an unauthorized supplier, he would have to get the labels through the buying office and, of course, if it was an unauthorized source, the buying office would question it.

Q. Would you please describe the factors considered in deciding what companies shall be designated as authorized suppliers?

A. The factors considered are the quality, the dependability of the supplier and whether or not
3088 we think he will have the merchandise for us throughout the period of the year. Service is very important. And, of course, price is a factor also.

Q. When was the central buying office of Consolidated established?

A. In 1952.

Q. Why was it established?

A. To safeguard the quality of our labels.

Q. When was the authorized supplier list first used?

A. It was started in 1952.

Q. Why was it used? Why was it started?

A. For the same purpose: To safeguard the quality under our labels.

Q. How do you go about testing quality, Mr. Lerner?

A. Depending upon the product, we would ask for samples. They would be sent in to River Grove and put through our laboratory, where it would be checked for the various factors that determine quality depending upon the product.

Q. After a supplier is listed, do you ever check his quality thereafter?

A. Oh, yes. We spot check quality of deliveries. In other words, even after a supplier has been authorized, we will, on a spot check basis, ask the units to send in samples of the actual deliveries to make sure
3089 he is delivering the right quality.

Q. Do you make any taste tests?

A. Yes.

Q. What kind of taste tests?

A. Well, taste is exactly what it means. For example, an item like soup: Two or three people in the company can taste something and each one would get a completely different reaction. So when we test something for taste, we usually have an informal panel made up of either the men in the buying office or their secretaries or other personnel in the office, a sort of informal "Mrs. Housewife test."

Q. What are the Consolidated brands that the authorized supplier system are intended to protect in so far as quality is concerned?

A. We are mainly interested in our Monarch and Richelieu labels, which represent top quality. We also want to protect the quality of our second- and third-grade labels, Yacht Club, None Such, Kenny, Baby Stewart, Suzy Q.

Q. Is the authorized supplier list adhered to strictly on all of these brands, Mr. Lerner?

A. No.

Q. In what way is it not?

A. Well, for various reasons a particular unit may
3090 want to buy an item from an unauthorized supplier, in which case he will ask the buying office if they will forward labels. Depending on whether or not the product purchased is for Monarch, Richelieu, Kenny or some of the other labels, and depending upon whether or not we know the supplier, will depend to a large extent whether we will send the labels.

If it is for Monarch and Richelieu and we know the supplier, even though he may not be an authorized supplier, we will send the labels. If we have any questions, we will ask that samples be submitted first.

3091 Q. Why would an individual unit want to buy from a company that was not on the list, that is, on the authorized supplier list?

A. Well, the individual unit may feel that this particular man's quality is as good as the authorized supplier's. He probably will want it mainly because of service. Service is very important.

And it is also possible in some cases that this particular man may have a special deal in that area, which it would be to the advantage of the unit to buy.

Q. What factors are taken into account by the units in their choice of one of the alternative suppliers where several are listed for the same product?

A. Probably the service of the supplier to his particular area. That is probably the main factor. And again this

supplier may have a deal in that area where the other suppliers may not. He may have a better price.

Q. By "deal" you mean a better price?

A. Better price. Yes.

Q. How do the wholesale units deal with the suppliers where they deal directly with them?

A. The suppliers will either have their own salesmen or they will deal through a broker, depending upon the company. But the unit will deal directly either with the representative or the broker.

3092 Q. What was the approximate volume of purchases of grocery products for resale by the wholesale and retail units of Consolidated in 1958?

A. I would estimate approximately $125,000,000.00.

Q. What percentage of Consolidated's total purchases of grocery products for resale at wholesale or retail is private label as opposed to packer's label?

A. That is total purchases?

Q. Total purchases of grocery products?

A. I would say approximately 5 per cent.

Q. Why is the percentage of private label product purchases not greater than this?

A. Well, in the last few years we have had to go to the pre-printed order form and no salesman, therefore, with the pre-printed order form — you sell what the retailer wants. The retailer, of course, has to stock whatever "Mrs. Housewife" wants. And with the large amounts of money being spent in advertising, there is a terrific consumer demand for the advertised brands.

Q. Does the central buying office have a policy regarding the number of packers to be used for each product that is packed under Consolidated's label?

A. Yes. We try to have more than one supplier for every product.

Q. What ingredient specifications are established by

3093 the central buying office for either private label or packer's label products?

A. We don't establish any ingredient specifications, other than whatever is listed by the U. S. Department of Agriculture.

Q. Is that the Government standard?

A. That is the Government standards.

Q. Would you please describe those Government standards?

A. The Government sets up what is known as "standards of identity" for various products. We use those for our basis for minimum standards of quality for our private label.

Q. Why don't you establish ingredient specifications other than whatever is involved in the standards that you have described?

A. Well, it would not be very practical or economical. A packer puts up merchandise with the particular ingredients he chooses, and if we were to ask him to change it for us alone it would raise the cost to us, and with the competition as tough as it is, we cannot afford to pay more money than competition is paying for a comparable product.

Q. What factors influence the choice of packer's labels products to be carried by the wholesale unit?

3094 A. Well, this gets back to the advertising done by packer's label and the demand created at the retail level by this advertising, which, in turn, creates a demand by the retailer on the wholesaler, so the wholesaler carries whatever the retailer wants.

Q. What has been the trend since 1950 in the use of private label as compared to packer's label in wholesale units?

A. The trend, I would say, has been down.

Mr. Walker: This is Respondent's Exhibit No. 401,

which is a list of certain companies which are identified by Mr. Lerner as having and not having been suppliers of Consolidated Foods Corporation.

Because of the problem that was raised with respect to the source of the list of these companies' names, I have not identified on this exhibit the source, that is, where the names came from, because that exhibit was received in camera because the witness did not want the source to be divulged.

Mr. Lerner has taken this list, which does not divulge the source, that is, where these company names came from, and has checked on this list those companies that have been suppliers to Consolidated Foods Corporation based upon his personal knowledge of these companies and his duties as director of purchases.

3095 If you wish, I can proceed to ask Mr. Lerner the formal questions to bring this out.

(Said document was marked Respondent's Exhibit No. 401 for identification.)

Mr. Hays: What time period, Mr. Walker?

Mr. Walker: At any time during the years 1951 to 1958. Would that be correct, Mr. Lerner?

The Witness: Yes.

Mr. Walker: The same sort of identification that we had on the prior lists that have been received in evidence.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 401.

(Said document, heretofore marked Respondent's Exhibit No. 401 for identification was received in evidence.)

Mr. Walker: This is Respondent's Exhibit 402 -A, B, C, D, E.

This is the list of Gentry potential major customers, which was placed in evidence through Dr. Prater. On this

list also Mr. Lerner has indicated those companies which, based on his experience, have been suppliers to Con-
3096 solidated Foods Corporation during the same period as I indicated on the prior exhibit.

(Said documents were marked Respondent's Exhibits Nos. 402-A, B, C, D and E, respectively, for identification.)

Mr. Hays: The identification is at some time during the same period, is that not correct, Mr. Walker?

Mr. Walker: That is correct. We are not saying that they have been consistent suppliers throughout this period.

I will now offer Respondent's Exhibits 402-A through E.

Mr. Hays: No objection.

Hearing Examiner Kolb: It will be received in evidence as Respondent's Exhibits 402-A through E.

(Said documents, heretofore marked Respondent's Exhibits Nos. 402-A through E, both inclusive, for identification, were received in evidence.)

3097 By Mr. Walker:

Q. Mr. Lerner, are you familiar with Columbia Conserve Co.?

A. Yes, sir.

Q. Is that company associated with any other corporation?

A. Yes, it is.

Q. What other corporation is that?

A. It is owned by John Sexton & Company here in town.

Q. When was Columbia Conserve Company acquired by John Sexton & Company?

A. Oh, I would estimate about seven or eight years ago.

Q. This is Respondent's Exhibit 134, Mr. Lerner, and I would like to have you examine it. It is a list of products, the principal grocery products of General Foods. At the time of the New York hearing some question arose as to which of the General Foods products have been bought by

Consolidated Foods Corporation. Mr. Hays asked about it at that time, so I will now ask you, Mr. Lerner, to state which one of these General Foods grocery products have been bought by the wholesale or retail units of Consolidated Foods Corporation to your knowledge.

3098 A. Maxwell House, Sanka, Instant Maxwell House, Instant Sanka, Postum, Tang, Kool-Aid, Baker's Cocoa, Baker's Instant Chocolate-Flavor Mix, all of the Post cereals that are listed there, semi-sweet chocolate chips, Baker's semi-sweet chocolate chips, that is. We have purchased Farmington milk chocolate bars, Baker's premium chocolate, German's sweet chocolate.

In desserts the entire line, Jello desserts —

Q. You do not have to name all of them. It is all of them under that heading?

A. The entire dessert line.

Under Swans Down products, we have bought at one time or another the complete line. We may not have all of them in stock at this moment, but we have most of them at the moment. We have bought the entire line.

All of Gaines pet foods.

I believe we bought the caramel chips, but not the lemon flavor. Coconut, Calumet Baking Powder, Certo and Sure-Jell Pectins, Dream Whip, Good Seasons salad dressing mixes, La France instant bluing, Log Cabin syrup, Minute Mashed Potatoes, Minute Rice, Minute Spanish Rice Mix, Minute Sliced Potatoes, Minute Tapioca, Satina, SOS, 3099 and Tuffy plastic mesh balls.

Q. Now was there a time when Wyler & Company endeavored to sell private label products to Consolidated Foods Corporation?

A. Yes.

Q. When was that?

A. I would estimate that was about three or four years ago.

Q. What products did he try to sell?

A. Soup bases.

Q. Under his label or your label?

A. Our label. Private label.

Q. Did they get the business?

A. No, sir.

Q. Why not?

A. Well, his price was too high.

Q. Who was packing most of your private label soup bases at that time?

A. Custom Foods, Universal Foods, and I believe Wass Foods was packing at that time.

Q. Is Custom Foods still an authorized supplier for soup bases for Consolidated?

A. Yes, they are.

Q. Was Bedford Products, Inc. a private label packer for Consolidated?

3100 A. Yes, they were.

Q. Does Consolidated still buy from Bedford Products, Inc. as a corporation?

A. No.

Q. Is Bedford still an independent company?

A. No, they are not.

Q. With what company has it become associated?

A. Kraft Foods.

Q. Has Kraft Foods been a supplier to Consolidated since prior to 1951?

A. No. I don't believe they were suppliers prior to 1951.

Q. For how long a period of time have they been suppliers?

A. I would estimate since approximately 1954 or 1955. Kraft at one time distributed all their products direct, but about seven years ago they went to the wholesaler, through the wholesaler; they sold to wholesalers, who, in turn, distributed their products.

Mr. Walker: That is all I have.

By Mr. Hays:

Q. Mr. Lerner, directing your attention to Respondent's Exhibits 401 and 402-A through E, you have placed checkmarks beside named companies that you personally can testify bought some kind of—that is, sold to Consolidated some type of product during the period 1951 to 1958.

• • •

A. Yes.

By Mr. Hays:

Q. Now, there is no indication by you, by placing
3102 these checkmarks on these exhibits, that any of these companies sold continuously during that period, is there?

A. No. That is correct.

Q. And where no checkmarks have been made, that does not mean that you are testifying they did not sell anything to Consolidated Foods during this period, is that correct?

A. That is correct.

Q. You just do not know about it if they did?

A. That is correct.

Q. Do you test the products bearing brands other than Monarch and Richelieu?

A. If they are our own brands, yes; like Yacht Club and Kenny, and so forth. Yes, we do.

Q. If they are not your own brands, you do not test them for quality, do you?

A. No.

Q. Do you test Monarch and Richelieu brands with any greater frequency than you test the other brands?

A. You are talking now about deliveries of Monarch and Richelieu or samples for Monarch and Richelieu?

Q. Both.

A. I would say we do.

Q. You test them more than the second-named brands?

A. Yes. Correct.

3103 Q. How many different type products are sold under the Monarch brand?

A. How many different types of products?

Q. Yes.

A. When you say different types, is peaches and pears two different types?

Q. I would call that two different types, yes.

A. And is an 8-ounce and a 303 another one?

Q. No. Product type is what I am talking about.

A. Oh, I would say approximately 100 different types.

Q. And how many products were sold under the Richelieu brand? How many different types of products?

A. Approximately the same. Maybe a slightly lesser degree, but not too much.

Q. Do the Monarch products differ from the Richelieu products?

A. No, with rare exception. But by and large they are the same.

Q. The same 100 items?

A. Yes. I thought you meant qualitywise.

Q. The same qualitywise, too.

A. With rare exception.

Q. And in 1960 how many times did you test each of these products?

A. When you say "we," you are talking about me

3104 personally?

Q. The people under your supervision or people in Consolidated Foods.

A. Every time a delivery was made to River Grove, and I would say that should have been at least once a month for each item, at least.

Q. Those tests were conducted with greater frequency

than those that were conducted with reference to the second and third grade labels, is that right?

A. That is right.

Q. With the advent of this order blank, your private label sales have decreased, is that right?

A. I would say so.

Q. And your private label sales in 1958 dollarwise constituted about 5 per cent of $125,000,000.00?

A. The question, as I interpret it, was of our total purchases.

Q. I am talking about your sales of private label merchandise, dollarwise. Did that amount to approximately 5 per cent of $125,000,000.00?

Mr. Walker: The two questions, Mr. Hays, were not related. The $125,000,000.00 answer that he gave was not the total amount to which he referred when he gave the 5 per cent. If you will ask him what percentage of the 3105 $125,000,000.00 was private label, he will give you a different percentage than 5 per cent.

By Mr. Hays:

Q. All right.

What percentage of $125,000,000.00 sales were private label?

A. I would estimate about 20 per cent.

Q. About 20 per cent dollarwise?

A. Yes.

Q. What was that 5 per cent figure you testified to?

A. I related that to total purchases, but I think the wholesale and retail units, which would include other items than dry groceries, produce and meat, and so forth.

Q. This $125,000,000.00 figure does not cover other types of purchases, like produce and meat, does it?

A. No, it does not.

Q. Was the maintenance of quality the only reason that the central buying office was established?

A. To the best of my knowledge, yes.

Q. And is that the only reason that it has continued to exist, the only reason for which it has continued to exist?

A. That is its prime purpose. Yes.

Q. Does it have any other purpose?

A. No. That is it. For the maintenance of quality
3106 under our private labels.

• • •

3108 Chicago, Illinois
March 7, 1961

3109 PROCEEDINGS

• • •

LEE GRAY was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your full name, please?

A. Lee Gray.

Q. Where do you live, Mr. Gray?

A. 841 South Poplar Avenue, Kankakee, Illinois.

Q. What is your occupation, sir?

A. Purchasing agent for the Kankakee operation of the Post Division of General Foods.

Q. Would you speak up just a little more, Mr. Gray?

In what business is the Post Division of the Kankakee operation of General Foods engaged?

A. It manufactures dry dog food and dry corn meal products.

3110 Q. What was your position prior to becoming purchasing agent for this division?

A. I was purchasing agent for the Gaines Division of

General Foods.

Q. When did the Gaines Division become a part of the Post Division?

A. In April of 1957.

Q. Where is the Post Division office located?

A. Our office is located in Kankakee, Illinois.

Q. And the address, sir?

A. 1551 East Willow Street.

Q. Where is the plant located, sir?

A. The plant is located at the same property.

Q. What products are packed there?

A. Dry Gaines dog foods and dry corn meal products.

Q. To whom is the dry corn meal products produced by the Post Division sold?

A. Manufacturers of cereals, breweries, foundries, and other industrial companies.

Q. Did you say foundries?

A. Yes, sir.

Q. What use do foundries make of the corn meal products?

A. Foundries use it to make a core binder, which is used for pouring castings.

3111 Q. Under what label is the dry dog food made by the Post Division sold?

A. The Gaines label.

Mr. Hays: Mr. Gray, I am going to have to ask you to speak up. I can't hear you. Please.

The Witness: I am sorry.

By Mr. Walker:

Q. Is there also a Gaines canned dog food?

A. Yes, there is.

Q. Where is that packed?

A. Currently packed at Broadway, Virginia and Los Angeles, California.

Q. Is that packed by any division of General Foods Corporation?

A. That is co-packed for us by two other companies.

Q. What are those companies, sir?

A. The Broadway, Virginia company is the Rockingham Poultry & Marketing Cooperative. At Los Angeles it is the Perk Dog Food Company.

Q. What sort of an arrangement do you have with these companies on this packing, Mr. Gray?

A. We supply the formulas and most of the ingredients, labels, and they supply the manpower and the equipment.

Q. I am sorry, I missed the last part.

3112 A. They supply the manpower and the equipment.

Q. And they actually do the packing?

A. Yes.

3113 Q. Was Gaines dog food formerly canned at any other locations other than the two that you have mentioned?

A. We have packed at other Perk dog food plants at Chicago, Camp Hill, Pennsylvania, Kansas City, and at the Mason Canning Company in Pocomoke City, Maryland.

Q. When was the Chicago operation discontinued?

A. That was discontinued in March of 1959.

Q. And when was the Pocomoke City operation discontinued?

A. In 1957.

Q. When was the Kansas City operation discontinued?

A. In 1955.

Q. And when was the Camp Hill operation discontinued?

A. In 1956.

Q. Now, Mr. Gray, will you please describe your duties as purchasing agent?

A. I am responsible for buying some of the corn for

corn milling operation, and all of the ingredients for Gaines Dog Foods Corporation.

Q. What duties have you had in connection with the purchasing of ingredients for the canned dog food that is packed at locations outside of Kankakee?

A. I purchase most of those ingredients.

Q. Is Gaines dog food sold to Consolidated Foods Corporation?

3114 A. I believe it is.

Q. How is the Gaines dog food sold generally?

A. Through General Foods salesmen.

Q. And to what types of users is it sold?

A. Wholesale grocers and to chains, grocery chains.

Q. Did Gaines use onion and garlic in its canned dog food?

A. Yes, it did.

Q. Was this used at all of the plants where the Gaines canned dog food was packed?

A. No.

Q. Just some of them, is that right?

A. Yes, sir.

Q. Who has made the decisions, Mr. Gray, as to the sources of supply for onion and garlic for Gaines dog food since 1950?

A. I have.

* * *

3115 (The paper referred to, heretofore marked for identification Respondent's Exhibit 403, was received in evidence.)

By Mr. Walker:

Q. Did your division, Mr. Gray, purchase any onion and garlic prior to 1956?

A. Yes.

Q. Is that the onion and garlic that is shown on

3116 Respondent's Exhibit 403 as being purchased in 1954 from Griffith?

A. Yes.

Q. Did you buy any other onion and garlic prior to 1956?

A. Not to my knowledge.

Q. For what purpose was this 300 pounds of onion and 300 pounds of garlic bought from Griffith in 1954?

A. Laboratory testing.

Q. When did your division first have occasion to use onion and garlic in production?

A. In 1956.

Q. That is when you used it in the dog food?

A. Yes.

Q. And that was the first time that the dehydrated onion and garlic was used in dog food?

A. As far as I know.

Q. Mr. Gray, would you please explain the circumstances surrounding your purchases of onion and garlic in the years 1956 and 1957?

A. 1956, the research department decided to put onion and garlic into our canned dog food. We started purchasing from Gentry, who were supplying a few of the plants packing this dog food.

We wanted a second source of supply, and we
3117 started purchasing from Basic after having tested their product. In 1957, we continued to purchase from Gentry, and then early in the year we decided to take onion and garlic out of our products. We did, however, have to purchase some from Baltimore Spice because we needed some in a hurry at one of our plants.

Q. And this onion and garlic was for the canned dog food, is that right?

A. Yes, sir.

3118 Q. And that is the dog food that you described

earlier was packed at plants outside of Kankakee?

A. Correct.

Q. And you did the purchasing of that onion and garlic?

A. Yes.

Q. Why did you buy first from Gentry in 1956, Mr. Gray?

A. The Gentry salesman had been calling on us for some time prior to our using onion and garlic. They are the first company that came to mind and we bought it from them.

Q. Why have you not purchased any dehydrated onion and garlic since 1957?

A. We don't use it in the canned dog food any longer in that form.

Q. What do you use in the canned dog food?

A. We buy a blend of spices and use it in its place.

Q. From what source do you obtain this blend of spices?

A. From the H. J. Mayer Company.

Q. Did you formerly buy it from another source than H. J. Mayer?

A. Yes, originally we bought it from the Ferne Company.

3119 Q. Is that F-e-r-n?

A. I believe it is F-e-r-n-e.

Q. And that is a mixed seasoning that contains dehydrated onion and garlic?

A. Yes.

Q. Is this prepared seasoning or mixed spice, as you call it, now used in the canned Gaines Dog Food that is produced in Virginia and at Los Angeles?

A. Yes.

Q. Do you use any onion and garlic in your dog food that is processed at Kankakee, that is, a dog food other than the canned dog food?

A. Yes. We use a special type of onion and garlic.

Q. And in what product do you use that?

A. That is a new type of product called Gainesburgers.

Q. Gainesburgers?

A. Yes.

Q. That is a dog food also?

A. Yes. It is a new type of dog food that we are just marketing in test areas.

Q. What is this type of onion and garlic that you are using in the Gainesburgers?

A. This is the type that is dehydrated from the oils of onion and garlic. It is a more expensive, more potent
3120 product. It has better keeping qualities for our work.

Q. From what source do you obtain it?

A. From a company called Fritzchie Brothers.

Q. Do they do the dehydrating from the oil?

A. Yes.

Q. Do you use any capsicums?

A. No.

Q. Mr. Gray, we have informed the Hearing Examiner that we have talked to the witnesses prior to their testimony.

Before you were contacted in connection with your appearance as a witness, had you ever talked with anyone about a relationship of any kind between your sales to Consolidated, that is your company's sales to Consolidated, and your purchases of dehydrated onion or dehydrated garlic?

A. No.

Q. Have you had any kind of communication on that subject?

A. No.

3121 Q. What effect has the fact that Consolidated is a customer of General Foods Corporation had on the volume of your purchases of dehydrated onion and dehydrated garlic from Gentry?

A. None.

Q. Would you please describe, Mr. Gray, what part your laboratory plays in the purchasing of your ingredients?

A. The laboratory will take new ingredients offered or ingredients that we look for, test them in the laboratory, and then frequently they will prepare large quantities of food for testing at our Gaines research kennels.

If they approve the material, if it improves the palatability of something else to improve the product, it then becomes part of the formula.

Q. Mr. Gray, is General Foods going into the dehydration of onion itself?

A. Yes. I have heard that the company is thinking about going into the dehydrating of onions business in El Centro, California.

Q. Have they taken any steps to carry out this plan?

A. I believe they are investigating the profitability and so forth in doing an operation of this type. I haven't heard much about the progress of it recently.

3122 Mr. Walker: Thank you, Mr. Gray. I have no further questions.

Cross Examination

By Mr. Hays:

Q. How does General Foods plan to sell the dehydrated onion and garlic that it intends to manufacture in El Centro?

A. I don't know.

Q. What type of operation does the H. J. Mayer Company?

A. They sell spices, spice mixes.

Q. Do they dehydrate onion?

A. I don't know.

Q. Does Ferne Foods dehydrate onion?

A. I don't know.

Q. Is Rival dog food a competitor of Gaines dog food?

A. Yes.

Q. Do you know of a relationship between Rival dog food and some of the individuals that run Consolidated Foods?

A. I believe Rival is owned by Consolidated.

Q. For how long have you been aware of that?

A. I don't recall how long it has been. Whenever it was announced in the trade.

3123 Q. Pardon me?

A. I don't know how long it has been.

Q. Did you know this fact when you first purchased dehydrated onion and garlic from the Gentry Division of Consolidated Foods in 1956?

A. No.

Q. Did you know it when you purchased dehydrated onion and garlic from the Gentry Division of Consolidated Foods in 1957?

A. Are you referring to Rival?

Q. Yes, sir.

A. No.

Q. You did not know it then?

A. No.

Q. What was the name of the Gentry salesman who called upon you and induced you to buy the dehydrated onion and garlic for the first time from Gentry?

A. I believe it was Mr. McGill.

• • •

3125 JESSE O. SMITH was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your full name, please?

A. Jesse O. Smith.

Q. Where do you live, Mr, Smith?

A. 2015 Greenwood Avenue, Wilmette, Illinois.

Q. What is your occupation, sir?

A. I am now vice president and manager of the Eastern Division of Fearn Foods.

Q. Could you speak a little more loudly, sir, so that the Hearing Examiner and counsel will be sure to hear you?

In what business is your company engaged?

A. We are engaged in the food business, and our sales are to the institutional trade. However, we sell through jobbers rather than direct to the user.

3126 Q. What kind of products do you sell to the institutional trade?

A. The principal items are chicken bases, beef bases, canned soups, various dessert preparations, plus a number of specialty items that do not fall into a particular category.

Q. These chicken and beef bases are soup bases, is that right?

A. That is correct. But they are used for other purposes as well.

Q. Where is the office of your company located?

A. 9353 Belmont Avenue, in Franklin Park, Illinois.

Q. Where are the plants located?

A. Our principal plant is located at the same address in Franklin Park. We have another and a smaller plant, which is located in Los Angeles, California.

Q. Is the Los Angeles plant the Western Division of Fearn Foods, Inc.?

A. That is correct, yes.

Q. Would you please describe the positions you have held with Fearn Foods, sir, prior to assuming your present position?

A. Yes. I came with Fearn Foods in 1950 as a sales
3127 promotion manager. The duties at that time went a little further than sales promotion. We had no sales manager, and I performed a number of those functions.

Q. Would you proceed with a description of your positions, please?

A. In 1953 I became vice president and director of sales, and in 1956 I became manager of the Eastern Division.

Q. I believe you stated that Fearn Foods sells its products to the institutional trade through jobbers. Is that right?

A. That is correct. There are some direct sales, but very few.

Q. Mr. Smith, has your company also made a mixed seasoning product for sale to meat packers?

A. Yes, we have.

Q. Did that mixed seasoning contain dehydrated onion and garlic?

A. Yes.

Q. Do you still sell that product?

A. In a very limited way. There is very little volume on it any more.

3128 Q. How do you market your products, Mr. Smith?

A. Well, it depends upon what it is. The institutional products, which are the principal portion of the business, is marketed through our own sales force; and they work both with the wholesalers that I have referred to, as well as directly with the users reselling for them.

On sales to meat packers, for instance, which is a very small part of our business today, that is on a direct basis. There are no jobbers involved.

Q. Under what labels are your products sold, sir?

A. Our institutional products, which again are the principal portion of the business, are marketed under the trade name Le Gout.

Q. During what period of time has Fearn Foods, Inc. sold any of its products to any units of Consolidated Foods Corporation?

A. I brought some notes on that. if I may refer to them.

We first started selling them in 1948. That was the first year.

Q. What has been the trend of your sales to Consolidated since 1948?

A. Our sales have been considerably up. In 1948 they were approximately $200.00. In 1958 they were ap-
3129 proximately $50,000.00.

Q. Fifty thousand dollars in 1958?

A. Well, approximately. Fifty-one thousand would be more accurate.

Q. Could you give us the amount of your sales to Consolidated in, let us say, 1956 and 1957?

A. Yes. I do have those here.

1956 was $32,000.00; 1957 was $43,000.00; and 1958 was $51,000.00.

Q. Have your sales to Consolidated continued to increase since 1958?

A. Yes, they have.

Q. In selling Consolidated, Mr. Smith, did your company deal with the central buying office of Consolidated?

A. No. We do not. We deal with each individual branch.

Q. What was the approximate volume of your total sales in 1958, Mr. Smith?

A. In 1958—I had better refer to this.

They were approximately $3,700,000.00.

Q. What has been the trend of your total sales since 1948?

A. They have been up considerably.

Q. Mr. Smith, what has been your participation in your company's decisions as to sources of supply for
3130 dehydrated onion and garlic?

A. For the dehydrated onion and garlic, during recent years, I have participated in whatever decisions have been necessary.

However, there have not been many. I do participate in the decisions as to what we should purchase. The decision that was originally made when we went more to the Basic

product and were moving away from Gentry, was actually made—or one person that had a major part in it is no longer with the company.

But I am familiar with what transpired.

Q. Do you purchase dehydrated onion and garlic on an annual contract basis?

A. Yes, we do.

Q. Do you contract at your Franklin Park office for the onion and garlic requirements for the Los Angeles plant?

A. Yes.

* * *

3131 (The paper referred to, heretofore marked for identification Respondent's Exhibit 404, was received in evidence.)

By Mr. Walker:

Q. Mr. Smith, Respondent's Exhibit 404 shows 3132 that you have consistently bought most of your dehydrated onion and garlic from Basic. Why is that?

A. We felt that their quality suited our particular requirements. That was largely a matter of the size and the uniformity of the flake.

Q. Have you purchased any dehydrated onion or garlic from Gentry since 1956?

A. No. Our last purchase was, I believe, in 1956, but we actually received it in 1957, if I recall.

Q. Why have you decreased your purchases from Gentry over the years and finally stopped buying from them altogether?

A. Well, it was primarily because we felt their product suited our requirements better—

Q. That is, Basic's product?

A. That's correct. Basic's product. At it was actually more convenient to buy from one source than to buy from two. There are two factors that affected it.

Q. How about Gentry's product from the standpoint of quality?

A. I don't know that I quite understand your question.

Q. What has been your experience with the quality of—Strike that.

3133 Q. What was your experience with the quality of Gentry's products in, let us say, the years 1955, 1956, 1957 and 1958?

A. The flakes didn't quite suit our purpose as well. Well, basically it was a matter of getting a larger and a more uniform flake from Basic.

Q. Have you had occasion to test Gentry's products since you last received some in 1957?

A. I don't recall that we have tested them. We may have. If we did, it was not called to my attention and no action was taken on it.

Q. Do you use any capsicums, Mr. Smith?

A. Very little.

Q. Have you purchased, ever purchased, any capsicums from Gentry?

A. No.

Q. What part does the laboratory play in your purchasing of ingredients?

A. Well, first of all, our laboratory approves all ingredients. They have to try them out in the product, see whether they will actually work, and what our end result is. And actually we use no ingredients unless they are cleared by our laboratory.

Q. Mr. Smith, before you were contacted in connection with your appearance as a witness in this case,

3134 had you ever talked with anyone about a relationship of any kind between your sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No.

Q. Have you had any kind of communication on this subject?

A. From Consolidated?

Q. Yes.

A. No.

Q. Or from Gentry?

A. No.

Q. What effect has the fact that Consolidated is a customer of Fearn Foods had on the volume of your purchases of dehydrated onion and dehydrated garlic from Gentry since 1950?

A. It has had none.

Mr. Walker: Your witness.

3135 *Cross Examination*

By Mr. Hays:

Q. What types of products did you sell to Consolidated Foods in 1958?

A. To Consolidated we sold our institutional products, which are sold under the Le Gout brand name. They, in turn, resold them to institutional users.

Q. When did your company first start preparing mixed seasonings which were sold to meat packers?

A. I am sorry; I can't answer that question.

It was probably in 1933 or 1934.

Q. Do you still prepare mixed seasonings which you sell to meat packers?

A. We still do, yes, but that has become a very minor portion of our business.

Q. Why is that?

A. Well, there are several reasons for it.

First of all, the company over a period of time felt that we had greater opportunities to build a firm business for the long pull in the institutional trade than we had with the meat packing industry.

As a result, we de-emphasized that portion of the business. The management, laboratory and marketing organization over a good many years now have put our major
3136 effort behind the institutional line rather than the bulk line that was sold to meat packers.

Q. How long has your brand Le Gout been on the market, that is, been offered for sale?

A. I couldn't answer that question exactly. Since approximately 1935.

Q. Is it sold to all types of institutions?

A. Well, all that we can sell it to, yes. It can be used by all types of institutions.

Q. Who in your company is in charge of the sales of your products?

A. We have no one person in the company at the moment that is in charge of sales. We are operating on a division basis. We have two divisions.

I am vice president and manager of the Eastern Division. I have a sales manager reporting directly to me. The gentleman who is vice president and manager of our Western Division also has a sales manager reporting directly to him.

For the most part, the manager of the Western Division, the president of the company, and myself, are a committee that determines and resolves major sales policies.

Q. When you purchased fresh onion, for what did you use it?

A. The fresh onion that we purchased, if I recall
3137 correctly, and I think I am, was used in Le Gout chicken base.

Q. Did you use the fresh onion interchangeably with the dehydrated onion in your chicken base product?

A. We didn't in the beginning, but we later did, and we eliminated the fresh altogether, naturally.

Q. Why did you do that, sir?

A. Because we felt we could get a satisfactory result with the flakes.

Q. Are the flakes easier to handle than the fresh product?

A. Oh, yes.

Q. Were there any other advantages to using the dehydrated onion over the fresh onion?

A. Well, we had some products where it was necessary to use the dehydrated onion. For instance, we have one product—the name of it is Le Gout Onion Soup Base. It is packed in glass, or in a can, as the case may be.

The base is in the bottom of the container, and then onion flakes are packed in the container on top of the base portion. And so for that type of product we would actually have to use the dehydrated onion or have another type product with another type packaging.

Q. Are there any other advantages to using dehydrated onion over fresh onion insofar as your products are
3138 concerned?

A. I don't believe so. It is basically that we have been able to obtain satisfactory results with dehydrated onion.

And, of course, it is so much easier for us to handle than fresh, so that unless we ran into some new problem or new product which we don't now make, I couldn't see using or going back to fresh.

I couldn't see us going back to fresh onions for any of the products that we have now.

Q. Specifically, in what ways is dehydrated onion easier to handle than fresh onion insofar as the processing of your products is concerned?

A. Well, in using dehydrated onion, it is a very simple matter. You just take them out of the container they come in and put them into your mix.

In using fresh onion, of course, you have to get them out,

get a crew to chop them up to whatever size you want them chopped, or run them through a chopper. And it is just a much cleaner, a better operation all the way around in using the dehydrated. That is, than using the fresh.

Q. You mean using the fresh?

A. In using dehydrated over fresh.

Q. It is better?

3139 A. Yes.

* * *

3140 RAYMOND W. BROSE was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your name, please?

A. Raymond W. Brose.

Q. Where do you live, sir?

A. 232 North Charlotte Street, Lombard, Illinois.

Q. What is your occupation, sir?

A. Manager, purchasing. Manager of purchases.

Q. For what company?

A. For Fearn Foods, Inc.

Q. That is the same company about which Mr. Smith has just testified?

A. Yes, it is.

Q. How long have you held the position of manager of purchases?

A. Since 1949.

Q. Would you please describe your duties in that position?

A. To secure all the raw materials, packaging sup-
3141 plies for the company's needs, and, shall we say, to interview salesmen and see if there is anything new to be had that we could use in our operations.

Q. Mr. Brose, you heard Mr. Smith's testimony that your company has not bought any dehydrated onion or garlic from Gentry since that shipment that was received in 1957, is that right?

A. Yes, it is.

Q. Mr. Smith also testified, I believe, that at that time your company preferred Basic's quality of products to Gentry's, is that right?

A. Yes.

Q. Did you concur in that opinion?

A. Yes, I did.

Q. How do you feel about Gentry's quality now?

A. From what I have seen recently, I would say their quality has come up somewhat. But certain specific items we still prefer the Basic product.

Q. And you still continue to buy your dehydrated onion and garlic from Basic exclusively, is that right?

A. That is right.

Q. Mr. Brose, before you were contacted in connection with your appearance as a witness in this case, had you ever talked with anyone about a relationship of any
3142 kind between your sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic and/or capsicums?

A. No.

Q. Did you have any kind of communication on that subject?

A. None.

Q. What effect does the fact that Consolidated is a customer of Fearn Foods have on the volume of your purchases of dehydrated onion and garlic from Gentry since 1950?

A. None.

3143 THOMAS E. MILCHRIST was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Thomas E. Milchrist.

Q. Where do you live, Mr. Milchrist?

A. 1901 Linneman Street, Glenview, Illinois.

Q. What is your occupation?

A. Director of purchases for the William J. Stange Company.

Q. In what business is that company engaged?

A. They are manufacturers of spice extracts, food seasonings, certified food colors, and soup seasonings.

Q. Where is the general office of your company located?

A. 342 North Western Avenue, Chicago, Illinois.

Q. Where are the plants located?

A. We have a plant in Chicago, Oakland, California, and Patterson, New Jersey. We also have plants in Toronto, Canada, and Mexico City, Mexico.

Q. To whom are your products sold?

A. To food processors.

3144 Q. Under what label are your products sold?

A. The majority is under the Stange label or the Peacock label in case of certified food colors. We do have little private label business, but it is very little.

Q. How do you market your products, sir?

A. Through salesmen.

Q. During what period of time has Stange sold any of its products to Consolidated Foods Corporation?

A. At least since 1948.

Q. And to what units of Consolidated have these sales been made?

A. To their processing units.

Q. What was the approximate volume of your sales to Consolidated in 1958?

A. May I look at my records?

Q. Surely.

A. In 1958 we did about $6,000 worth of business.

Q. What was the approximate volume of your sales to Consolidated in 1950?

A. In 1950 we did about $12,000.

Q. What was the approximate volume of your total sales in 1958?

A. Our total sales in 1958 were about six and one-half million dollars.

3145 Q. What was that volume in 1950?

A. In 1950 it was about $4,100,000.

Q. Mr. Milchrist, would you please describe your duties as director of purchases?

A. I am in complete charge of all purchases, signing of all contracts, that is, with suppliers, also processing all equipment orders as well as traffic manager and in charge of warehousing.

3146 Q. How do you use dehydrated onion and garlic, Mr. Milchrist?

A. We incorporate the onion or garlic with other seasonings in blends, which are then sold to processors.

Q. Do you also use it in some of your other products that you make?

A. We use it in other products.

Q. What are those products?

A. Seasonings for the sausage industry or the meat industry. The cold meats, and also in soup seasonings.

Q. Do you distribute any dehydrated onion and garlic?

A. Yes, we do. Under a Lafortaleza label, which is a Mexican company, or under our suppliers' label.

Q. Is that Lafortaleza Onion and Garlic domestic or imported?

A. That is from Mexico. It is an imported garlic.

Q. From what company do you buy that, that is, the product under the label you have just mentioned? Is that from the Lafortaleza Company?

A. It is the Lafortaleza Company.

Q. Do you use the imported dehydrated onion and garlic in any of your prepared seasonings?

A. We do.

Q. And is that the Lafortaleza dehydrated onion and garlic that you use in the prepared seasonings in
3147 addition to distributing it?

A. That's right.

Q. What was the approximate volume of your purchases of imported dehydrated onion and garlic in 1960, Mr. Milchrist?

A. About half a million pounds of garlic and about 30,000 pounds of onion powder.

Q. During what period of time have you been purchasing dehydrated onion and garlic from Lafortaleza?

A. Through 1959 and 1960.

Q. Now, Mr. Milchrist, could you describe in a little more detail some of these prepared seasonings you make?

A. Well, we prepare seasonings for the processors, such as your various dressings, salad dressings, and also, as I said, cold meats, where you mix your various onion and garlic with black pepper, nutmeg, and so forth and so on.

Q. Is any of it sold to processors of products like catsup or other canned products?

A. We sell also the catsup people throughout the United States.

Q. What other people manufacture and sell these prepared seasonings, Mr. Milchrist?

A. Griffith Laboratories of Chicago, Kearns & Smith of Chicago, H. J. Mayer of Chicago, and also our
3148 friends McCormick, French, Durkee, also sell bulk items that are blends.

Q. They sell them to manufacturers?

A. They sell them to manufacturers for further processing of their products.

Q. Do the individual prepared seasonings contain dehydrated onion and garlic?

A. Some do.

Q. Do you make any other types of seasonings that contain onion and garlic, other than the dehydrated onion and garlic?

A. No.

Q. Do you make any soluble seasonings?

A. Yes.

Q. What is a soluble seasoning?

A. Soluble seasoning is where you extract the oleoresin from a spice and blend them with other oleoresins from various spices, also adding essential oils and making the mixture in either a corn sugar base or a salt base.

Frankly, the extract plus the oil is equal to about 5 per cent.

3149 Q. Is there any onion and garlic used in any of these soluble seasonings?

A. There are.

Q. What kind of onion and garlic is that?

A. Dehydrated.

Q. Do any of the soluble seasonings use any liquid form of onion and garlic?

A. Yes. At certain times we use a liquid onion or a liquid garlic. But this is very seldom. Most liquid onion and garlic are used in what we call liquid concentrates. This is entirely liquid.

Q. Would you describe what a liquid concentrate is?

A. A liquid concentrate is, for instance, used in the pickle industry, where you may add oil of dill, certain tweens — I can't give you percentages. Oil of onion or oil of garlic. And this is added primarily 95 percent in the

pickle industry, though there are liquid concentrates used in the catsup industry.

Q. Did your company sell a mixed seasoning including dehydrated onion and garlic to the Gerber Company?

A. We do.

Q. Why do these manufacturers to whom you sell the prepared seasonings of one type or another use these seasonings, rather than mixing their own ingredients?

3150 A. Because we have laboratories that keep quality control on the finished product and also, our business being primarily seasonings, we are in better position to give them a price than for them to hire people to do the complete job, that is, making their own seasonings.

Q. What has been the trend in the use of prepared seasonings containing dehydrated onion and garlic by food manufacturers in recent years?

A. It has increased rapidly.

Q. Since 1950, Mr. Milchrist, who has made decisions as to Stange's sources of supply for dehydrated onion, dehydrated garlic and capsicums?

A. I have.

Q. Is that true for all of Stange's plants?

A. That includes all our plants. Let me make it very clear: All domestic plants. Our Mexican plant and our Canadian plant buy through Chicago, so actually I control the purchase of all onion and garlic.

• • •

3152 (The paper referred to, heretofore marked for identification Respondent's Exhibit 405, was received in evidence.)

3153 By Mr. Walker:

Q. Mr. Milchrist, from what source did you obtain most of your dehydrated onion and garlic prior to 1949?

A. Basic Vegetable Company.

Q. Why did your purchases from Gentry increase so greatly in 1949?

A. Because their president, Mr. George Clausen, came to our office to make an agreement with myself and my management to give us 15 per cent off list price. And at this price we could sell the product as well as use it, and we could also pay our salesmen 5 per cent.

This was the reason we made this agreement, and naturally we bought every pound during 1949, or during that agreement, from Gentry.

Q. Did there come a time when that arrangement was changed?

A. Yes. In 1950 they came out and cut the discount to 3 per cent. This was very upsetting, especially to the salesmen, because he couldn't get 5 per cent if I was only getting 3 per cent.

So we darn soon dropped them.

Q. And where did you buy your dehydrated onion and garlic after that?

A. From Basic Vegetable.

Q. Why, in view of this, Mr. Milchrist, did you 3154 start buying more from Gentry in 1955, as is shown in Respondent's Exhibit 405?

A. Well, in 1955 they had a good salesman. Their salesmen were still calling on us even after we dropped them. And, after all, we did cool off by that time, and it was about time we had a second source.

So we let them back in.

Q. Did the reduction in your purchases from Gentry, particularly in these years, 1952 to 1954, where you bought very little from Gentry, have any impact on your company's sales to Consolidated?

A. No.

Q. Why did you commence purchasing from Puccinelli in 1957?

A. In 1957, for a good many years, Frank Fahrenkamp, who used to work for Gentry but who was now a broker for Puccinelli, had been calling on me and had sold me some capsicums. And we had a good deal of use for Frank.

So we then let him send in samples of Puccinelli's material, which we found to be much improved. And therefore we took them on as a third source of supply.

Q. Have you sampled the imported dehydrated onion from time to time in recent years?

A. I have. We have.

3155 Q. What is your opinion as to the quality of the imported dehydrated onion and whether it has improved since 1958?

A. It has improved greatly.

Q. Approximately how many pounds of capsicums did Stange purchase in 1958?

A. In 1958 we purchased about 660,000 pounds.

Q. What portion of this was bought from Gentry?

A. None, if I correctly remember.

Q. Did Stange purchase any capsicums from Gentry prior to 1958?

A. Very little.

Q. Mr. Milchrist, before you were contacted in connection with your appearance as a witness in this case, had you ever talked with anyone about a relationship of any kind between your company's sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic, or capsicums?

A. No, sir.

Q. Did you have any kind of communication on that subject?

A. No, sir.

Q. What effect has the fact that Consolidated has been a customer of William J. Stange Company had on the volume of your purchases of dehydrated onion and de-

3156 hydrated garlic from Gentry since 1950?

A. None.

Q. Mr. Milchrist, what part does the laboratory play in your purchasing of ingredients?

A. Our laboratory quality control department tests or analyzes all products coming in. They also test all products of a new source of supply before I will purchase from the new source.

Mr. Walker: Your witness, Mr. Hays.

3157 *Cross Examination*

By Mr. Hays:

Q. Mr. Milchrist, I refer you to Respondent's Exhibit 405 and the years appearing thereon, 1946 to 1958. During those years did you purchase any imported dehydrated onion?

A. No.

Q. During those years did you purchase any imported dehydrated garlic?

A. No.

Q. When did you first start using imported dehydrated onion?

A. 1959.

Q. When did you first start using imported dehydrated garlic?

A. 1959.

Q. How much imported dehydrated onion did you use in 1959?

A. Approximately 30,000 pounds.

Q. How much imported dehydrated onion did you use in 1960?

A. About 30,000 pounds.

Q. How much imported dehydrated garlic did you use in 1959?

A. Pardon me, sir. May I straighten this out?

3158 Purchase or use?

Q. Purchase.

A. You used the words "use." We have got a lot over in the place yet.

Q. Thirty thousand pounds, however, is right for onions in both years, is that correct?

A. That's right. It was pretty much of a failure.

Q. You purchased that, though?

A. Yes.

Q. The imported dehydrated was a failure?

A. Yes.

Q. Why was that?

A. Because the company wasn't able to produce. Also we ran into this: The price of onions also gauges whether you make money or lose money. The price of raw material, in other words. The price got high and our dear Mexican friends who we were dealing with would not pay the price, so we did not get any onion. Even if we did, they broke the contract in 1961. I am not particularly interested in foreign shipments.

Q. How much imported dehydrated garlic did you purchase in 1959?

A. Approximately 150,000 pounds.

Q. How much imported dehydrated garlic did you

3159 purchase in 1960?

A. Five hundred thousand pounds.

Q. What accounts for your increased usage of dehydrated garlic?

A. Wait. Don't use the word "usage."

Q. Purchases.

A. Because our contract was to buy 500,000 pounds. The original contract called for a million pounds of onions, of

which 30,000 was delivered in 1959. The next year it called for 1,100,000. The delivery was 30,000 pounds. And garlic was 400,000 in 1959—garlic was very plentiful during 1960. We got every bit of it.

Q. Well, why did you enter into this contract to purchase so much more dehydrated garlic and dehydrated onion than you formerly purchased?

A. Once bit and twice shy. We didn't work that way. This again was a list price less 17½ percent.

Q. You still have the imported dehydrated garlic on hand?

A. Yes. I would be glad to sell you around 350,000 pounds.

Q. How do you use this imported dehydrated garlic?

A. Exactly the same as we use the domestic. It 3160 is a good product.

Q. Do you use it in mixes?

A. In mixes, right.

Q. Do you know where Griffith Laboratories obtain their dehydrated onion and garlic?

A. I do not, no.

Q. Do you know whether they use any imported dehydrated onion or garlic?

A. No, I do not.

Q. Do you know how they use it?

A. No, I do not.

Q. Do you know whether they process dehydrated onion and garlic?

A. No.

Q. Do you know where Kearns & Smith process dehydrated onion and garlic?

A. No.

Q. Do you know whether they do any processing of dehydrated onion and garlic?

A. No, I do not.

Q. Do you know whether McCormick Company processes any dehydrated onion and garlic?

A. No, I do not.

Q. Do you know whether French does any processing of dehydrated onion and garlic?

3161 A. No.

Q. Do you know whether Durkee does any processing of dehydrated onion and garlic?

A. No, I do not.

Q. Did you purchase any dehydrated onions from Basic in 1959?

A. Yes.

Q. How much?

A. I shall have to give you an approximate figure. I haven't got that figure down.

Q. That is all right.

A. I would say around 450,000 pounds.

3162 Q. Did you purchase any dehydrated onion from Basic in 1960?

A. Yes.

Q. How much?

A. I would say about the same figure.

Q. Did you purchase any dehydrated onion from Gentry in 1959?

A. I would say yes. About 15,000 pounds.

Q. Did you purchase any dehydrated onion from Gentry in 1960?

A. I would say yes. About 15,000 pounds. Those are approximate figures.

Q. Did you purchase any dehydrated onion from Puccinelli in 1959?

A. Yes. And I would say about 45,000 pounds.

Q. Did you purchase any dehydrated onion from Puccinelli in 1960?

A. Yes, about 45,000 pounds.

Q. Did you purchase any dehydrated garlic from either of these three concerns in 1959?

A. None in 1959.

Q. Did you purchase any dehydrated garlic from any of these three concerns in 1960?

A. Yes.

Q. What company and how much?

3163 A. Basic, in large slices, and material we had to buy to go along with the order of the powder. You see, after all, you have to understand there are six or seven — more than that — different types of garlic — slices, flakes, powder, and so forth and so on.

We did not have our complete line; therefore, we had to go out and purchase even more to get out of the hole that we were in. Various types.

Q. How much dehydrated — ?

A. Dehydrated garlic products?

Q. Yes.

A. About 15,000 pounds.

Q. In 1959?

A. 1960. None in 1959.

Q. It was 15,000 pounds in 1960, and none in 1959?

A. Yes.

Q. Did you purchase dehydrated garlic from either Puccinelli or Gentry in either 1959 or 1960?

A. No.

Q. Do you reprocess any of the dehydrated onion or garlic that you imported?

A. Yes.

Q. Other than by mixing it with other products, I mean?

A. Only in this way: If we have too many gran-
3164 ules, we may grind them up into powder to balance out.

Q. Is that the full extent of the reprocessing that you do?

A. That's right.

Q. When did your company first start using dehydrated onion and garlic, or buying it?

A. I wouldn't be able to answer. I would suppose about 1937 when we went in the soluble seasoning business.

Mr. Hays: That is all.

Mr. Walker: I have just a couple of questions.

Redirect Examination

By Mr. Walker:

Q. Are you using this large stock of imported dehydrated onion and garlic that you have on hand?

A. Yes, sir.

Q. How are you using it?

A. Using it to blend with our soluble seasonings and any other seasonings that we use onion and garlic in.

Q. These are the seasonings that you sell to food manufacturers?

A. That's right.

Q. You testified, Mr. Milchrist, that McCormick does not do any onion and garlic dehydration, to your
3165 knowledge.

A. To my knowledge.

Q. To your knowledge, do they own any interest in a company that does do dehydrating of onion and garlic?

A. From rumors I have heard in the past three weeks, they have bought Gilroy.

Q. That is Gilroy Foods?

A. From Gilroy Foods, right. And I have no reason to doubt it.

• • •

3166 SILVAIN WYLER was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Rothe:

Q. Please state your full name, sir.

A. Silvain Wyler, S-i-l-v-a-i-n W-y-l-e-r.

Q. Your home address?

A. 46 East Cedar Street.

Q. Chicago?

A. Chicago.

Q. What is your occupation?

A. President of the Wyler Company.

Q. In what business is Wyler & Company engaged?

A. Manufacturing and processing of bouillon cubes, soup mixes, soup bases, drink mixes and packing of dehydrated vegetables and garlic powder and onion powder.

Q. To what classes of customers do you sell your products?

A. We sell our products to chain stores, co-ops, super markets, jobbers and institutional users.

Q. When you say to co-ops, you mean cooperative 3167 buying groups?

A. Cooperative buying groups, yes.

Q. Which of these kinds of customers account for most of your sales?

A. Chain stores and super markets and co-ops.

Q. Do you sell your products through brokers or through your own salesmen?

A. Through both brokers and salesmen.

Q. Under whose labels do you market your products?

A. Wyler labels and a few under private labels.

Q. How long have you been a supplier to any units of Consolidated Foods Corporation?

A. I have to look up some dates. We sold to Sprague Warner since 1948.

Q. Approximately how large were your sales to Consolidated Foods in the year 1958?

A. '58?

Q. Yes, sir.

A. About $35,000.

Q. About what percentage of your company's total sales for that year does that represent?

A. Less than one percent.

Q. Has Consolidated Foods ever accounted for more than one to two percent of your sales?

A. No.

3168 Q. What has been the trend of your sales to Consolidated Foods since 1950?

A. I would say up.

Q. And what accounts for that trend?

A. Our products have become more popular through consistent advertising and the demand is there and they have to have our products.

Q. In which of your products do you use dehydrated onion or garlic?

A. In the preparation of bouillon cubes, soup mixes, soup bases and then we pack our consumer package garlic powder, onion powder, institutional size.

Q. Institutional size of both garlic powder and onion powder?

A. Yes.

Q. Do you also pack onion flakes?

A. We do pack onion flakes.

Q. In what sizes?

A. In our consumer container and in the institutional size.

Q. Do you also pack a smaller onion flake?

A. Yes, we pack the instant onion in a consumer glass jar.

Q. How long have you been manufacturing bouillon cubes and soup bases and soup mixes?

3169 A. Since before the war.

Q. When did you start marketing large onion

flakes in consumer and institutional sizes?

A. Before the war.

Q. When did you start marketing garlic powder?

A. After the war.

Q. The consumer size of garlic powder that you have been talking about, is that also known as instant garlic sometimes?

A. It could be, but we call it pure garlic powder.

Q. When you say since before the war, you mean World War II?

A. That is right.

Q. In what package sizes do you sell your pure garlic powder, institutional or consumer, or what?

A. In one-half ounce bottles and one and a half ounce bottles and in 10-ounce institutional size jars.

Q. That is the garlic?

A. That is the garlic, yes.

Q. When did you start marketing a consumer sized onion powder?

A. Let's see. 1950 or '51.

Q. Did you also come in with an institutional size onion powder at the same time?

A. Yes.

3170 Q. When did you start marketing your instant onion?

A. In 1956.

Q. Who in your company has determined Wyler's sources of supply for the various kinds of onion and garlic that you use?

A. I do.

Q. Has this always been true?

A. Yes.

Q. From which companies have you purchased dehydrated onion and garlic over the years?

A. From Gentry, Basic, Puccinelli.

3171 Q. Prior to about 1948, from which company did you purchase most of your large onion flakes?

A. Before 1948?

Q. Before 1958.

A. From Basic.

Q. After about 1948, from which company did you purchase most of your large onion flakes?

A. From Gentry.

Q. Why did you switch from Basic to Gentry as your major source of supply for large onion flakes about 1948?

A. Well, Mr. Clausen, Sr. I knew very well and he made a great effort to meet the specifications and he developed a large onion flake which filled very nicely our consumer container. He came very often and we developed the business and he promoted some products and then went on with Gentry.

Q. You went on with Gentry then?

A. Yes.

Q. Was there any other reason why you dropped Basic in favor of Gentry?

A. Well, when Basic gave the exclusive to Heinz, they undermined our institutional business which was not so good for us and we started with Gentry.

Q. Gave the exclusive what to Heinz?

3172 A. The exclusive sale for institutional onions.

Q. And that was about the same time that you switched from Basic to Gentry?

A. About that time.

Q. When you introduced garlic powder which you said was right after the war, from which company did you purchase your garlic requirements?

A. From Gentry.

Q. Why was that?

A. Well, it was a new product and packaged in a small bottle and the Basic garlic powder was somewhat drier,

more dehydrated, it had somewhat less moisture than Gentry. When you filled the little bottle, we were afraid that if Mrs. Housewife would for the first time try out such a new item like garlic powder, she would open the cap and smell, and the garlic powder from Basic, although it was a very good garlic powder, it did not smell until you reconsfituted with moisture. Then it had a good smell.

Gentry's garlic powder had somewhat more moisture and gave us that real garlic smell, and we didn't want to speculate that any housewives would say, by not smelling the garlic flavor, "This is no good."

3173 So we bought the garlic powder from Gentry.

Q. When you say that this was a new product, did you mean it was new with you or new with the market?

A. It was certainly new with us and it was a new item for the market.

Q. When you started packing onion powder in 1950 or '51, from which company did you buy your onion powder?

A. From Gentry.

Q. Why did you buy onion powder from Gentry for that product?

A. We were very well satisfied with the increased sales of garlic and their salesmen really promoted and encouraged us to add a new package of onion powder, and so we continued to buy from Gentry.

Q. Which company did you use as your source of supply for instant onion when you introduced that product in 1956?

A. Well, there again I think his name was Kraham, a salesman of Gentry, promoted that new package. He came to us and encouraged us to pack such a new unit and we bought it from Gentry because they could meet our specifications with the right kind of onion flake to fill our jar. So we bought it from Gentry.

Q. Could Basic meet that specification in 1956?

3174 A. At that time no, they had a minced onion but the density of specification was not filling our retail container for the same weights.

3175 Q. Is minced onion the same as instant onion?

A. That is the same.

Mr. Rothe: We will mark this as Respondent's Exhibit 406 for identification.

(Said document was marked Respondent's Exhibit No. 406 for identification.)

By Mr. Rothe:

Q. Mr. Wyler, this is Respondent's Exhibit 406 for identification which shows Wyler's purchases in pounds in part and in percentages in part of dehydrated onion and garlic from Gentry and Basic for the years 1946 through 1960.

The source of the Gentry data in pounds is the Service Bureau Corporation tabulation. The source of the percentage data both for Gentry in the years 1959 and '60 and for Basic for the years 1956 through 1960 is Wyler & Company.

Mr. Wyler, what is the source from which the percentage figures were taken?

A. From our invoices.

Q. Invoices?

A. Yes.

Q. What do those invoices show?

A. The amount of dollars and cents, the amount of weights of the commodity.

3176 Q. How far back do those records go?

A. 1956.

Q. Have you also purchased some onion and garlic from Puccinelli?

A. Yes, we bought some.

Q. In what years?

A. 1958 and 1960.

Q. Do you know how much you bought from Puccinelli in those years?

A. No.

Q. Onion and garlic?

A. No.

Q. Was it very much?

A. No.

Q. Were the percentage figures on Respondent's Exhibit 406 for identification obtained at your request and pursuant to your instructions, Mr. Wyler?

A. I didn't get the question.

Q. Were the percentage figures on the exhibit obtained pursuant to your request and instructions?

Mr. Wyler, did you ask your purchasing people or accounting people to get figures on your purchases from Basic and Gentry?

A. Yes.

Q. And are those percentage figures on the exhibit 3177 the figures which they supplied to you?

A. They gave me the figures in dollars and cents.

Q. And also in percentages, did they not?

A. Oh, yes.

Q. And those figures appear on this exhibit?

A. Yes.

Q. Would you be willing to allow the Government to inspect the purchasing records from which those percentages were derived if they should desire to do so?

A. Yes.

Mr. Rothe: I would like to introduce into evidence Respondent's Exhibit 406.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 406.

(Said document, heretofore marked Respondent's Exhibit No. 406 for identification, was received in evidence.)

By Mr. Rothe:

Q. Now, Mr. Wyler, if you will look at Respondent's Exhibit 406, you will see that during the years 1948 through 1957— strike that, please.

Looking at Respondent's Exhibit 406, during the years 1948 through 1957, approximately what percentage of your onion and garlic requirements did you buy from
3178 Gentry?

A. Oh, about 90 per cent.

Q. More or less in some years than other years?

A. It could be a little more.

Q. Why did you continue to buy from Basic at all during those years?

A. Well, Basic is a quality house and sometimes Gentry couldn't supply us promptly. They had warehouse stock in Chicago.

Moreover, we used their garlic and onion powder for the preparation of bouillon cubes and soup bases, and it is always good to have two suppliers.

Q. Is there any other reason why you bought from Basic during that period, that is, 1948 through 1957?

A. Basic gradually developed his onions to meet our requirements, and so we bought from them.

Q. Mr. Wyler, have you ever had any difficulty selling any of your products to Consolidated Foods?

A. It wasn't easy.

Q. What sort of difficulty did you have?

A. Well, we submitted prices and samples to their buyers, and especially bouillon cubes and soup bases, and we couldn't succeed. The prices were always somewhat too high.

Q. Are you finished, sir?

A. Yes.

3179 Q. You say that at some time you did not succeed in selling some of your products to Consolidated Foods even though you tried to do so?

A. Yes, sir.

Q. Did the fact that you were unsuccessful in selling some of your products to Consolidated have any effect on your purchases from Gentry?

A. Well, at the time when Gentry—we were one of the largest customers of Gentry. We thought it would be fair to give us some business, too, and when you are the largest customer, you expect, belonging to the same company, some business.

Q. But were your expectations fulfilled?

A. No.

Q. Did that have any effect on the amount that you purchased from Gentry at any time?

A. Will you ask that question again, please?

Q. Did the fact that you were unsuccessful in selling some of your products to Consolidated Foods have any effect at any time on the amount of onion and garlic that you bought from Gentry?

A. Yes.

Q. What effect was that?

A. I would buy less sometimes.

Q. Sometimes?

3180 A. Yes.

Q. Now did the fact that Consolidated Foods did buy some of your products have any effect on the amount that you did buy from Gentry?

A. No.

Q. According to Respondent's Exhibit 406, Mr. Wyler, you gave Basic about one-third of your onion and garlic business in the year 1958 and two-thirds of your onion and garlic business in 1959 and 1960. Why beginning in 1958 did you begin to buy more from Basic than from Gentry?

A. Well, they developed a nice quality and made an effort to sell us and we gave them more business.

Q. That is Basic you are talking about?

A. Yes.

Q. Was there any other reason why you began to give Basic more business about that time?

A. It could have been that we would have liked to sell Consolidated a little more.

Q. Have you purchased any onion or garlic from Gilroy Foods?

A. Gilroy Foods?

Q. Gilroy Foods.

A. Yes.

Q. Why have you purchased some onion and garlic
3181 from Gilroy Foods?

A. The son of Mr. Clausen, Sr. was in that business, financially interested, and he was a young starter and I liked very much to support him and gave him every chance and he was a third supplier for us.

Mr. Rothe: No more questions.

Mr. Hays?

Cross Examination

By Mr. Hays:

Q. Mr. Wyler, I show you Respondent's Exhibit No. 406 and ask you to refer to it during this next series of questions.

I direct your attention to the column which shows the purchases by Wyler & Company of dehydrated onion from Gentry. Do you have that column of figures?

A. Yes.

Q. The second column in the year 1948, this exhibit shows that Wyler & Company purchased 72,268 pounds of dehydrated onion from Gentry. Did those 72,268 pounds constitute approximately 90 percent of your total purchases of dehydrated onion in that year?

A. I would say so, yes.

Q. Now let's go down the column. There is another figure for 1949 for dehydrated onion, 112,342 pounds.
3182 Did that figure constitute 90 percent of your total

purchases of dehydrated onion in that year?

A. Yes.

Q. In 1950 did the purchases of dehydrated onion which are shown on this exhibit constitute 90 percent of your purchases of dehydrated onion?

A. Yes.

Q. Did the figure for 1951 constitute 90 percent of your purchases of dehydrated onion?

A. Ninety percent or more.

Q. Did the figure for 1952 constitute 90 percent of your purchases of dehydrated onion?

A. Yes.

Q. Did the figure for 1953 constitute 90 percent of your purchases of dehydrated onion?

A. Which year?

Q. 1953, and the figure is 40,106 pounds. Did that constitute 90 percent of your total purchases of dehydrated onion?

A. Yes.

Q. Why did you purchase so much less dehydrated onion in 1953 than in 1952?

A. Probably less sales.

Q. You had less sales of what, sir?

A. On onion flakes.

3183 Q. Of onion flakes?

A. Yes.

Q. Your sales of onion flakes fell off, is that correct?

A. Apparently, yes.

* * *

3184 By Mr. Hays:

Q. Now in 1953 did this approximately 40,000 pounds of dehydrated onion constitute onion flakes?

A. It could also be onion powder. Onion products it says. I don't remember that.

Q. But you do remember that your sales of onion flakes fell off in 1953, is that right?

A. According to these purchases.

Q. Well, I am not asking according to these purchases, I am asking you if you know that your sales of dehydrated onion fell off substantially in 1953 from 1952?

A. I can't remember that.

Q. But you do remember that this 40,106 pounds of dehydrated onion constituted approximately 90 per cent of your purchases in 1953?

A. Yes.

Q. Now the figure for 1954, 66,414 pounds, did that constitute 90 per cent of your purchases of dehydrated onion in that year?

A. Yes.

Q. Did the 1955 figure of 83,821 pounds constitute 3185 approximately 90 per cent of your purchases?

A. Yes.

Q. How do you account for the fact that your purchases in 1954 of dehydrated onion were substantially less than your purchases in 1952 of that same product?

A. Well, sometimes you buy at the end of the year and you carry it over to the next year and it is invoiced in the year before and really sold the next year.

Q. You didn't buy anything in 1952 that was sold in 1954, did you?

A. No.

Q. How do you account, then, for the fact that your purchases in 1954 were substantially less than your purchases in 1952?

A. More competition.

Q. In other words, you sold less?

A. Probably.

Q. What types of products did you sell less of in 1954 than in 1952 which used dehydrated onion?

A. Which types?

Q. Yes.

A. I can't remember that.

Q. Did the figures on Respondent's Exhibit 406 which show your purchases of dehydrated garlic from Gen-
3186 try, did those figures for each of the years shown constitute approximately 90 per cent of your purchases of dehydrated garlic?

A. Up to 1958?

Q. '58, yes.

A. No, in 1958 it is less than 90 per cent.

Q. In the years 1948 through 1957, in each of those years do those figures represent approximately 90 per cent of your purchases of dehydrated garlic?

A. Yes.

Q. Do you sell any product which did not use both dehydrated onion and dehydrated garlic?

That is, did not have it in it?

A. I didn't get the question.

Q. Did you process any product that does not use both dehydrated onion and dehydrated garlic?

A. Yes.

Q. And what product is that?

A. Drink mixes.

Q. I beg pardon.

A. Drink mixes like lemonade, punch, grape mixes.

Q. And what does that type of dehydrated product have?

A. Sugar and flavoring.

Q. You misunderstood my question.

In your products do you have a product that uses
3187 either dehydrated onion or dehydrated garlic exclusively?

A. Oh, yes.

Q. What product is that?

A. The pure garlic powder in the consumer container of a half ounce and 1½ ounces, and 12 ounces, and the pure

onion powder in 3/8ths of an ounce in the bottle, 1¼ ounces in the bottle, and a 10-ounce.

Q. Are those the only two products?

A. And the small consumer container of onion flakes, and the instant onion flakes, and the institutional size of onion flakes.

Q. From these figures it appears that your purchases of dehydrated garlic show a relatively steady increase from 1948 to 1958.

* * * *

By Mr. Hays:

3188 Q. Now there has been an increase in 1948 to 1949 of your purchases of dehydrated garlic, is that cor-
3189 rect?

A. Yes.

Q. What accounted for that increase in your purchases?

A. In garlic?

Q. Yes.

A. Bigger sales.

Q. Bigger sales. Now in 1950 you have a decrease in purchases here of dehydrated garlic, don't you?

A. Yes.

Q. What accounts for that decrease?

A. Less sales.

Q. In 1950 you have an increase. Is that increase accounted for increased sales?

A. Yes.

Mr. Rothe: 1950 or '51 are you talking about?

Mr. Hays: '51.

The Witness: Yes, sir.

By Mr. Hays:

Q. Now you have a slight decrease in 1952. Is that decrease accounted for by decreased sales?

A. Not necessarily, because sometimes you buy at the end of the year and it is a carryover, but it could be probably smaller sales.

Mr. Hays: I don't hear you.

The Witness: What is the question now?

By Mr. Hays:

Q. Does the decrease in 1952 of your purchases of dehydrated garlic, that is, a decrease from 1951, result from a decrease in sales?

A. Yes, sir.

Q. Of dehydrated garlic?

A. Yes, sir.

Q. Now does your decrease in purchases for 1953 of dehydrated garlic over 1952 result from a decrease in sales?

A. Yes.

Q. Would that be true as to 1954, decreased purchases resulting from decreased sales?

A. Yes.

Q. Now what accounts for the increase in 1955 of your purchases of dehydrated garlic?

A. We may have added a new unit, a larger unit. We used to have only a small unit, a half-ounce bottle, and then we added 1½-ounce unit.

Q. The addition of that unit increased your sales?

A. Yes.

Q. So the increase of your purchases in 1955 over 1954 can be ultimately attributed to increased sales of de-
3191 hydrated garlic?

A. Increased sales.

Q. Would that be true with reference to the increase in 1956 over 1955?

A. Yes.

Q. Why do some of the figures which appear on Respondent's Exhibit 406 appear in pounds and why do others appear in percentages?

Mr. Rothe: I have already explained that, Mr. Hays.

Mr. Hays: May I have my cross examination, please?

By the Witness:

A. Well, it gives you a better view of what you buy, if you have both.

By Mr. Hays:

Q. Why didn't you show the actual purchases from Basic rather than a percentage for the year 1956?

Who actually assembled this information for you, Mr. Wyler?

A. The purchasing department.

Q. Did you tell them in what form you wanted the information assembled?

A. Yes, in percentages and in pounds.

Q. And you did have them assemble pounds for
3192 these years for Basic, that is, in 1956?

A. I have not assembled it.

3193 Q. But they did assemble those poundage figures?

A. They gave me the figures. I don't know —

Q. Did they give you poundage figures for your purchases of dehydrated onion from Gentry in 1959?

A. In poundage?

Q. Yes.

A. I don't remember.

Q. It is my understanding of your testimony on direct examination that you felt that because you purchased a lot of dehydrated onion and garlic from Gentry, that is, the Gentry Division of Consolidated Foods, that they should buy some of your products, is that right?

A. Yes, sir.

Q. You felt that would be fair?

A. Yes, sir.

Q. Now in the event that in the future they purchase a large quantity of your products, do you think that you should give them to be fair more of your business on dehydrated onion and dehydrated garlic?

A. No.

Q. Why not?

A. They are buying now already substantial amounts from us, and we — that's all.

Q. In 1960 they purchased only 35 per cent of their requirements from you.

3194 A. 1960?

Q. Yes, sir.

Mr. Rothe: You mean who purchased what from whom? By Mr. Hays:

Q. You purchased only 35 per cent of your requirements from Consolidated Foods in 1960, didn't you?

A. Yes, sir.

Q. In 1953 you purchased 90 per cent of your requirements from Consolidated Foods?

A. Yes, sir.

Q. Now in 1961 they buy a substantial amount of your products. Don't you feel that you should, in order to be fair, purchase 90 per cent of your requirements of dehydrated onion and garlic?

A. No.

Q. Why not?

A. I don't know why I should.

Q. Do you recall a time in 1952 that Gentry started putting out granular onion and garlic in bottles for the institutional trade?

A. Yes.

Q. Did that occur in 1952?

A. I don't know exactly which year, but I remember that.

Q. Did Gentry commence to sell to the institutional

3195 trade this product?

A. Yes.

Q. Did they commence to sell in competition with you?

A. Yes.

Q. How did you feel about that?

A. Not so good.

Q. Isn't it a fact that that is the reason for your decrease in purchases from the Gentry Division of Consolidated Foods in 1953?

A. No.

Q. They were selling this in direct competition with you?

A. Yes.

Q. But you still didn't decrease your purchases, the percentage of your purchases from Gentry?

A. Well, that was a small trade — I mean, with this jobber business; the big trade was in the retail consumer package.

Q. Do you know a Mr. Farrell of Consolidated Foods?

A. Yes.

Q. Has he ever called upon you?

A. Yes.

Q. When?

A. From time to time. He called on the purchasing department. I saw him not always when he was there.

3196 Q. Do you remember when he called upon you?

A. The last time I saw him was two years ago.

Q. Do you remember the first time he called upon you?

A. No.

Q. Has he been calling upon you off and on for four or five years prior to the last time that he called on you?

A. Yes, he called on the purchasing dapertment.

Q. When you sold your products to Consolidated Foods during the period from 1951 to 1958, did you sell them products under your label or under their own label?

A. 1952 to 1958?

Q. Yes.

A. Under our own label, and some perhaps in the institutional could have been on the private label, I don't remember that.

Q. But you sold them under your own label?

A. If they purchased drinks, yes, all under our labels, and vegetable flakes under our label.

Q. Why, Mr. Wyler, is it that you became disturbed when Basic entered into its agreement with Heinz, but you were not disturbed when Consolidated Foods began putting out these granular institutional onion products in competition with you?

A. Basic wouldn't sell to anybody else that in-
3197 stitutional label, and we felt that he should sell everything to Heinz.

If he discriminates, you can only buy this from us and not the other one, and it aggravated the trade to cut us out.

Q. Is that still their policy?

A. I don't think so.

3198 Q. For how long were you disturbed by this agreement with Heinz?

A. Long enough to quit him.

Q. You quit him?

A. I mean to reduce the sales, the purchases.

Q. When did you reduce those purchases from Basic?

A. I don't remember which year it was; during this period.

Q. Why have you increased your purchases from Basic since that time?

A. We just wanted to buy less from Gentry.

Q. Were you disturbed because Consolidated Foods did not buy more of your finished products?

A. Sometimes we were.

Q. And did you hope by buying less of the Gentry products that you would induce Consolidated Foods to purchase more of your products?

A. No.

Q. What was the purpose in reducing your purchases from Gentry Division of Consolidated Foods?

A. Because if they didn't buy from us, I didn't want to buy so much from them.

Q. It was not with the hope that when they saw that you had decreased your purchases from the Gentry Division, they would then purchase more from you?

3199 A. There was no use to hope, no.

Q. But they have increased their purchases from your company, haven't they?

A. Yes.

Q. Then there was some use to hope, wasn't there?

A. That was really earned through wider distribution, more advertising, and their customers, they acquired more chain stores, they had to have more items than in years before, and the demand is here, that's why.

Q. I take it, Mr. Wyler, that if Consolidated Foods had purchased more of your products, you would not have decreased your purchases from the Gentry Division of Consolidated Foods, is that right?

A. Will you say that again?

Mr. Hays: Read the question.

(Question read by the reporter.)

By the Witness:

A. Partly.

By Mr. Hays:

Q. I didn't hear you.

A. Partly.

Q. Partly?

A. Yes.

Q. What is the other part?

3200 A. The other part is that I would have bought just the same.

Q. Just the same as what?

A. From Gentry.

Q. You mean just the same amount?

A. No, but I wouldn't have—maybe I could have reduced it somewhat.

Q. Why would you have reduced it somewhat?

A. Just because they didn't buy from us more.

Q. But if they did continue to buy from you, you would not have decreased your purchases from them, is that right?

A. Maybe I would have, but maybe not.

Mr. Hays: That is all.

Redirect Examination

By Mr. Rothe:

Q. Just one or two points, Mr. Wyler. You remember when you asked your purchasing people to supply you with figures on your purchases from Basic and Gentry and Puccinelli,— do you remember that, sir?

A. Yes, sir.

Q. In what form did they supply that information? Was it in pounds or dollars or percentages of what? Do you remember?

A. In percentages and dollars and pounds.

3201 Q. Also pounds?

A. Percentages and dollars.

Q. Not pounds?

A. Dollars.

Q. Do you by chance have available the actual figures that they supplied to you?

A. Yes.

Q. Where are they?

A. In dollars and cents?

Q. Yes.

A. Which years?

Q. For the years 1956 through 1960.

A. In my brief case.

Yes, here they are.

Q. Now will you take a look at that and refresh your

recollection as to the form in which your purchasing people supplied the figures to you?

A. This is the form.

Q. Yes, I mean was it dollars, pounds, percentages, or what?

A. Dollars and percentages.

Q. Dollars and percentages; no pounds?

A. No pounds.

Q. Mr. Wyler, today do you sell all of your products to Consolidated Foods or are there some products
3202 which you do not sell to Consolidated Foods?

A. There are some which we don't sell.

Q. Do you remember which ones?

A. Yes, bouillon cubes and soup bases.

3203 Q. Have you tried to sell those products to Consolidated Foods?

A. Very much so.

Q. Are these the same products you testified about earlier that you presented prices and samples about?

A. Yes.

Q. And you still have not been able to sell those products to Consolidated?

A. No.

Q. So that when you testified that your sales to Consolidated Foods have increased over the years, were you referring to products that you had previously sold them and now sold in increased volume?

A. Yes.

Mr. Rothe: That is all.

Mr. Hays: I have a few more questions on this point.

Recross Examination

By Mr. Hays:

Q. Do I take it that there are a group of products that you make that you have not sold to Consolidated Foods at all?

A. Yes, sir.

Q. Which products are they, sir?

A. Bouillon cubes in beef, chicken and vegetable;
3204 our soup bases in institutional containers.

Q. Do you advertise those products?

A. Yes, bouillon cubes we advertise every day.

Q. And you have not created a demand for bouillon cubes that would force Consolidated Foods to want those bouillon cubes yet?

A. We have created a big demand and sell to almost everybody but they are not buying it.

Q. You mean when you say "they," you mean Consolidated Foods?

A. Consolidated, they haven't bought them.

Q. Which of your products have you advertised most in the past five years?

A. Soups and drink mixes and bouillon cubes. We advertise really every product.

Q. Have you advertised the soup base mixes and bouillon cubes more than the other products?

A. Soup base mixes?

Q. Soup mixes.

A. Soup mixes, not more but consistently with our drink mixes.

Q. Has Consolidated Foods purchased any of your soup mixes?

A. Yes.

Q. When was that, sir?

3205 A. Oh, they started about—of course to the different branches, we sell them, and here in Chicago they are buying now our soup mixes.

Q. They just started buying?

A. About a year ago.

Mr. Hays: That is all.

Redirect Examination

By Mr. Rothe:

Q. Mr. Wyler, you testified that the products you had not been able to sell to Consolidated Foods were bouillon cubes and soup bases?

A. Yes.

Q. Not soup mixes?

A. No.

Q. Now when you tried to sell Consolidated Foods bouillon cubes, were you trying to sell them bouillon cubes under your label or under their label?

A. Either one. We would sell under Wyler or their private label.

Q. How about the soup bases?

A. In institutional we would do it either one, private label or under our own label.

Q. And you tried to sell both private label and your own label to Consolidated Foods?

A. Yes.

3206 Q. And you have sold neither private label nor your own label?

A. No.

Q. Of bouillon cubes?

A. And soup bases.

Q. And soup bases, but you do sell your other items that bear your own label?

A. Yes.

Q. Like the vegetable flakes?

A. And soup mixes.

Q. Soup mixes, drink mixes?

A. And drink mixes.

• • •

3207 Chicago, Illinois
March 8, 1961

3208 PROCEEDINGS

• • •

3209 WILLIAM P. NIXON was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Rothe:

Q. State your full name, please?

A. William P. Nixon.

Q. Your home address?

A. 420 Righters Mill Road, Narberth, Pennsylvania.

Q. Your occupation?

A. Vice president of sales of the Campbell Soup Company.

Q. Where are that company's general offices located?

A. Camden, New Jersey.

Q. In what business is Campbell Soup Company engaged?

A. We produce and market a number of convenience foods. In the canned foods we have many kinds of soups. We have pork and beans, tomato juice, vegetable juice cocktail, and under the Franco-American label we have spaghetti of various kinds, sauces and gravies.

In addition we have a frozen food business that is under the Swanson label of dinners, meat pies and desserts.

Q. How long has Campbell Soup Company been a
3210 supplier to Consolidated Foods Corporation or any of its units?

A. I believe since Consolidated was first formed.

Q. What products has Campbell Soup Company sold to Consolidated?

A. At one of their locations or another, I would say all of our products.

Q. Since 1950, what percentage of Campbell's total sales has been accounted for by its sales to Consolidated?

A. I would think no more than 1 per cent.

Q. What was the approximate volume of Campbell's total sales in the year 1958?

A. 501 million-and some hundred thousand, approximately.

Q. Since 1950 what has been the general trend of Campbell's sales volume?

A. Our sales have increased progressively since 1950.

Q. What has accounted for that trend?

A. Quality products that serve the convenience needs of great numbers of American families; products that represent good values; and of course advertising has played an important part in telling our story to the consumer through all types of media.

Q. What has been the general trend of Campbell's sales to Consolidated since 1950?

3211 A. At one location or another I would say they followed our trend.

Q. What factors have accounted for your increased sales to Consolidated?

A. I think the same factors that have contributed to the increase in our sales in total, that is, quality foods, values, and the consumer franchises that have been developed through consistent advertising.

Q. How do you sell your products?

A. In the main through our own sales organization. We do have in the frozen food division some food brokers.

Q. How do you sell your products to the various Consolidated units?

A. Through our own sales force and individually to each of their warehousing operations.

Q. Mr. Nixon, how long have you been in charge of Campbell's sales?

A. Since 1945.

Q. Prior to being contacted in connection with your appearance as a witness in this case, what conversations or

communications did you have with anyone involving in any way a relationship of any kind between Campbell's sales to Consolidated and its purchases of dehydrated onion, dehydrated garlic or capsicums?

3212 A. None. I had no communication.

Mr. Rothe: This is Respondent's Exhibit 407-A and B.

(Said documents were marked Respondent's Exhibits Nos. 407-A and B, respectively, for identification.)

By Mr. Rothe:

Q. Mr. Nixon, I have handed to you two documents, one of which is Respondent's Exhibit 407-A and B for identification and the other of which is Commission's Exhibit 38-A and B, which is already in evidence in this case.

I would like to direct your attention first to Respondent's Exhibit 407 for identification. That purports to be a memorandum from Mr. L. C. Bellisime, vice president of the Gentry Division of Consolidated Foods to M. E. Atkinson, who, it has been established, was a salesman in the Chicago office of Gentry at that time.

3213 That memorandum is dated December 27, 1951, and I would like to direct your attention to the first two paragraphs which state as follows:

"Thank you very much for your letter of December 20th in which you state that John Sarther, Vice President in charge of the Cardinal Food Stores Division of Sprague Warner, has offered to do what he can in reference to the Campbell Soup deal.

"We would be very happy to have him get in touch with Bill Nixon who, we understand, is sales manager for Campbell, with the thought in mind that he might be able to help us crack the Campbell situation."

Now also directing your attention to the next to the last paragraph on the first page of Respondent's Exhibit 407-A for identification:

"I would please advise Mr. Sarther not to bear down too heavily on this situation, but he might discuss their use of onion and garlic with Mr. Nixon and see where the conversation might go from there."

Now, also Mr. Nixon, I would like to direct your attention to Commission's Exhibit 38-A, which is a memoran-
3214 dum from Mr. Atkinson to Mr. Bellisime dated December 31, 1951, concerning several companies of which Campbell Soup is one. In the second paragraph Mr. Atkinson says:

"With reference to the Campbell soups, I discussed your very helpful memo on this subject with John Sawyer today and he — "

I believe that to be misspelled. I believe it to be "Sarther."

" — and he will make contact with Mr. Nixon through the Chicago sales office which will in turn contact Mr. Nixon in Camden. Will bear in mind your advice not to put too much pressure on here but nevertheless Mr. Sawyer can undoubtedly be helpful in bringing closer consideration from Campbell, particularly if we can supply them with data as their increased cost of using raw onion and garlic, which we undoubtedly can."

Now, Mr. Nixon, did you know a John Sarther associated with Consolidated Foods Corporation at the time these memorandums were written in December of 1951?

A. Yes, I did.

Q. How long had you known Mr. Sarther?

A. I had known him for a number of years and
3215 prior to his association with the Consolidated organization.

Q. Were you ever contacted at any time by Mr. Sarther, by your Chicago sales office, or by anyone else associated with Consolidated Foods Corporation concerning the subject of Campbell Soup's purchases of dehydrated onion and garlic or capsicums?

A. No, I was not.

Q. Mr. Nixon, do you know of any grocery wholesalers or retail grocery stores in the United States which do not handle Campbell Soup products?

A. No, not to my knowledge.

Q. Why in your opinion do all grocery wholesalers and retailers handle your products?

A. Primarily because of the consumer demand that has been generated for them and secondly because it generates substantial sales volume in dollars for them and also profits.

Mr. Rothe: Your witness, Mr. Hays.

Mr. Hays: Mr. Rothe, is Respondent's Exhibit 407-A and -B identified and in evidence in some other form in this case?

Mr. Rothe: No, it is not.

* * *

3217 WILFRED T. DYON was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Wilfred T. Dyon, 2537 South 11th Avenue, Broadview, Illinois.

Q. What is your occupation, Mr. Dyon?

A. Sales manager and vice president of the Kearns & Smith Spice Company.

Q. In what business is your company engaged, sir?

Mr. Hays: I am sorry, I didn't hear the name of your company.

The Witness: Kearns & Smith Spice Company.

By the Witness:

A. Importers and grinders of spices.

By Mr. Walker:

Q. Is Kearns & Smith associated with any other company?

A. A subsidiary of the Continental Coffee Company.

Q. When was Kearns & Smith acquired by Continental Coffee Company?

A. September of 1957.

3218 Q. In what business is Continental Coffee Company engaged?

A. They are institutional jobbers.

Q. Where is the general office of Kearns & Smith, Mr. Dyon?

A. 4537 West Fulton Street, Chicago.

Q. Under what labels are Kearns & Smith's spices sold?

A. Under the K&S label which is our own and also that of our customers.

Q. To whom do you sell your spices, sir?

A. Processors, wholesale and retail, supply houses and institutional jobbers.

Q. How do you market your products, Mr. Dyon?

A. Brokers and salesmen.

Q. During what period of time has Kearns & Smith sold any of its products to any units of Consolidated Foods Corporation?

A. Since about 1950.

Q. What was the approximate volume of your sales to Consolidated in 1958?

A. $6,000.00, I believe it was.

Q. About what per cent of your total sales were your sales to Consolidated?

A. That would represent approximately one per 3219 cent of our gross sales.

Q. How does your company use dehydrated onion and garlic, Mr. Dyon?

A. We sell it under the supplier's label and we also sell it under our own label, and the customer's label.

We use it in onion and garlic salt mostly and chili powder and mixed seasonings.

Q. In the sales under the supplier's label, are you acting as a distributor of the dehydrated onion and garlic?

A. Yes.

Q. Which of these two categories that you mentioned, that is, the sales under the supplier's label and the mixing of the dehydrated onion and garlic with your own ingredients accounts for the bulk of your onion and garlic purchases and sales?

A. The onion and garlic that we sell as a distributor is in bulk.

Q. Do you distribute Gentry's dehydrated onion and garlic?

A. Yes, we do.

Q. When did you become a distributor for Gentry's products?

A. In 1958.

3220 Q. Do you make a mixed seasoning product containing dehydrated onion and garlic that is sold to food manufacturers?

A. Yes, the onion and garlic salts, chili powder.

Q. Do you also sell dehydrated onion and garlic as a separate product under the Kearns & Smith label?

A. Yes, we do.

Q. To what types of users do you sell dehydrated onion and garlic as separate products?

A. Processors and the institutional suppliers.

3221 Q. How long have you been with Kearns & Smith Spice Company, Mr. Dyon?

A. Fourteen years.

Q. Is your primary responsibility in sales or purchasing?

A. Sales.

Q. Are you familiar with the circumstances surrounding the selection by Kearns & Smith of its sources of supply for dehydrated onion, dehydrated garlic and capsicums?

A. Yes, I am, because we sell so much of it and I am primarily interested in it because sometimes the customers specifies a certain source and we see to it that they get it from the source or at least that is my responsibility to do so.

• • •

3222 (The paper referred, heretofore marked for identification Respondent's Exhibit 408, was received in evidence.)

By Mr. Walker:

Q. Mr. Dyon, why did you start purchasing from Gentry in substantial quantities in 1958?

3223 A. They asked us to be a distributor and we wanted to be a distributor for them. We liked their quality, their service.

Q. Was there any other reason why you decided to become a distributor for Gentry's products?

A. Yes. We had quality difficulty with Puccinelli's onion. Their garlic was O. K. but not the onion. In order to obtain the maximum volume discount, we couldn't afford to buy our onion from one source and our garlic from another. This meant a savings to us in freight as well as the discount on the volume purchase.

Q. Were there any reasons in connection with the way Gentry carried on its business that persuaded you to become a distributor for Gentry's products?

A. Gentry was very cooperative with us from the standpoint that they recommended us to the customers for the small orders which they would get direct on onion and garlic, and quite often they would turn these orders over to us to be shipped from our own stock.

Q. Is there any other reason for your purchases of dehydrated onion and garlic from Gentry?

A. Well, this also helped us in the sense that it put our foot in the door for new accounts by these small
3224 onion and garlic orders.

Q. Any other reasons you can think of?

A. No, sir.

Q. Have you bought some amounts of dehydrated onion and garlic from Basic or Puccinelli since 1958?

A. Yes, we have.

Q. Why is that?

A. Because the customer prefers Basic or Puccinelli. Whenever we have a choice, because of the cooperation from Gentry, we prefer Gentry.

Q. Does Kearns & Smith use any capsicums, Mr. Dyon?

A. Yes, we do.

Q. What portion of your capsicum requirements do you buy from Gentry?

A. Approximately 2300 pounds of about 65,700 pounds.

Q. That was in what year, sir?

A. 1958.

Q. From what source do you obtain most of your capsicums, sir?

A. Most of it is imported.

Q. Mr. Dyon, before you were contacted in connection with your appearance as a witness in this case, had you ever talked with anyone about a relationship of any kind between your company's sales to Consolidated
3225 and your company's purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No, sir.

Q. Have you had any kind of a communication on that subject?

A. No.

Q. What effect has the fact that Consolidated is a cus-

tomer of Kearns & Smith had on the volume of your purchases of dehydrated onion and dehydrated garlic from Gentry since 1950?

A. No.

Q. Mr. Dyon, has Kearns & Smith purchased any dehydrated onion and garlic from Gilroy Foods?

A. Yes, we have, sir.

Q. How much?

A. Five thousand pounds.

Q. Are you familiar with the company that was known as Wass Food Products?

A. Yes.

Q. Did you sell dehydrated onion and garlic to that company?

A. Yes, we did.

Q. Is that company still in business?

A. No, it is not in business.

Q. What happened to the company?

3226 A. They were bought out by the General Foods recently.

Q. How recently was that, sir?

A. Oh, about four months ago, I would say, approximately.

Q. They were bought out by General Foods Corporation?

A. Right.

* * *

3227 FRANK ZEMAN was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

Mr. Rothe: I would like to state for the record to place Mr. Zeman's testimony in context that Mr. Hanley has already testified as to his activity as purchasing agent for

Sokol & Company, and Mr. Zeman's testimony will be related to the same company.

By Mr. Rothe:

Q. Please state your full name?

A. Frank Zeman, Z-e-m-a-n.

Q. Your home address?

A. 1614 South Maple, Berwyn, Illinois.

Q. Your occupation?

A. I am sales manager for Schoenfeld & Sons, in Chicago.

Q. Where is the principal office of Schoenfeld?

A. 12 White Street in New York City.

Q. How long have you been with Schoenfeld?

A. Starting my sixth year.

Q. In what business is Schoenfeld engaged?

3228 A. Distributors of dehydrated vegetables and paprikas.

Q. Where is the Chicago office located?

A. 4754 West Washington Boulevard, Chicago.

Q. Were you employed by Sokol & Company in the years 1950 to 1955?

A. I was.

Q. In what capacity?

A. I was purchasing agent and sales manager for dehydrated vegetables.

Q. Who during that period of time, 1950 to 1955, made the actual decision as to Sokol's sources of supply for dehydrated onion and garlic?

A. I did.

Q. Mr. Zeman, here is Respondent's Exhibit 400 which is in evidence in this case and shows Sokol's purchases of dehydrated onion and garlic from various suppliers from 1946 to 1958.

Now you will notice that for the years 1953 to 1958 we have figures on Sokol's onion and garlic purchases but prior

to 1953 we do not have any figures concerning Sokol's purchases from Puccinelli, Basic and Simplot.

During the years prior to 1953 with which you were familiar, what other sources than Gentry did Sokol use for onion and garlic?

3229 A. Prior to what year was that?

Q. Prior to 1953 which is the first year for which we have figures on Respondent's Exhibit 400.

A. To the best of my knowledge I believe prior to 1953 we imported onion and garlic and another supplier, I am quite sure, was Simplot & Company, and then although this does not indicate, I think we also bought at the time a little possibly from Basic, a little from Gentry.

Q. Any from Puccinelli?

A. I don't believe we did.

Q. Now when you say this does not indicate, were you referring to Respondent's Exhibit 400?

A. Yes. I see in '48, '47 and '46 it does not indicate that we bought from these other suppliers.

Q. That is because Sokol did not have figures going back that far?

A. That is probably it.

Q. Now if you will look at Respondent's Exhibit 400, you will see that in the year 1954 there was a dramatic drop in Sokol's purchases of foreign onion and garlic over the previous year 1953.

Why was that?

A. We had adequate stocks on hand.

Q. From when?

3230 A. From the prior year.

Q. Now looking again at Respondent's Exhibit 400, you will see that you made relatively large purchases from Gentry in 1953 and 1954.

Why was that?

A. During that period whenever our customers gave us

the business and they requested Gentry's products—

Q. And you supplied what they wanted?

A. And we supplied Gentry's products.

Q. Mr. Zeman, before you were contacted in connection with your appearance as a witness in this case, had you ever talked with anyone concerning a relationship of any kind between Sokol's sales to Consolidated Foods Corporation and your purchases of dehydrated onion, garlic or capsicums for Sokol?

• • •

3231 By the Witness:

A. No.

By Mr. Rothe:

Q. Did you have any kind of communication on that subject?

A. When?

Q. Prior to being contacted as a witness in this case and during the time that you were with Sokol?

A. Well, never during the time I was with Sokol.

Q. What effect did the fact that Consolidated was a customer of Sokol's have on the volume of Sokol's purchases of dehydrated onion and garlic from Gentry in the years 1950 to 1955?

A. It had no bearing.

Mr. Rothe: Your witness.

3232 *Cross Examination*

By Mr. Hays:

Q. Which of your customers requested Gentry dehydrated onion and garlic?

A. At what time?

Q. At the time you testified on direct?

A. That was Wyler & Company.

• • •

3233 CARTER LeBEAU was thereupon called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Rothe:

Q. State your full name, please?

A. Carter LeBeau, L-e-B-e-a-u.

Q. Your home address?

A. 1433 Reynolds Drive, Palatine.

Q. What is your occupation?

A. Sales Manager, Kartridge-Pak Company, a subsidiary of Oscar Mayer.

Q. A subsidiary of what?

A. Oscar Mayer.

Q. Mr. LeBeau, were you employed for a period of time by Oscar Mayer at its Chicago plant?

A. Yes.

Q. During what period?

A. 1950 through 1957.

Q. In what capacity?

A. Purchasing agent.

Q. As purchasing agent at the Chicago plant, what was the extent of your purchasing authority with respect to onion and garlic, dehydrated onion and garlic?

3234 A. I was handling the purchasing for the Chicago plant of Oscar Mayer.

Q. Of onion and garlic?

A. Of onion and garlic.

Q. How much of the Chicago plant's requirements of onion and garlic were purchased by you directly from producers of onion and garlic?

A. One hundred percent.

Q. Did the Chicago plant also use in its manufacture spice mixtures obtained from the Madison plant?

A. Yes.

Q. What use did you make of the onion and garlic that you purchased directly rather than—Strike that.

What use did you make of the onion and garlic that you purchased directly distinguished from the onion and garlic that you received in the spice mixes?

A. Would you ask that again, please?

Q. What use did the Chicago plant make of the onion and garlic which you purchased directly from dehydrators as contrasted with the spice mixes you got from Madison?

A. It went into one of the sausage products. I
3235 don't recall which one right.

Q. Mr. LeBeau, Mr. Beach, executive vice president of Oscar Mayer, has testified in this case concerning the purchases by Oscar Mayer of onion and garlic at Madison, and during the course of his testimony there was placed in evidence Respondent's Exhibit 373 which shows that in the year 1955 Oscar Mayer purchased at its Chicago plant a total of 5,000 pounds of onion from Gentry. That was during the period that you were purchasing agent at the Chicago plant. Do you remember the reason for the purchase of that quantity of onion from Gentry in 1955?

A. My recollection was that we had been purchasing from Basic almost completely prior to that time and during a period of, oh, possibly a year or so we had been solicited by Gentry, and for reasons that I assume were, No. 1, to have a second source of supply, and possibly because there might have been a price advantage, I do not recollect, we purchased from this company.

Q. Any other reason?

A. None whatsoever.

Q. Mr. LeBeau, prior to the time your company was contacted about appearing or furnishing witnesses in this
case, had you had a conversation of any kind con-
3236 cerning the relationship between Oscar Mayer's sales

to Consolidated Foods Corporation and your purchases of onion or garlic or capsicums?

A. No.

Q. What effect did the fact that Consolidated Foods was a customer of Oscar Mayer's have on your purchases of onion and garlic from Gentry?

A. I was unaware that there was any connection.

Q. And so would you answer the question what effect did it have?

A. None.

* * *

3238 CLARENCE J. BRICKMAN was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Clarence J. Brickman.

Q. Where do you live, Mr. Brickman?

A. 9600 South Leavitt.

Q. What is your occupation, sir?

A. Meat packing.

Q. With what company are you associated?

A. Well, now with John Morrell & Company.

Q. What is your position with John Morrell & Company?

A. I am vice president and manager of the Illinois Meat Company.

Q. Is the Illinois Meat Company a subsidiary of 3239 Morrell?

A. Yes.

Q. When was Illinois Meat Company acquired by John Morrell?

A. In October of 1959.

Q. In what business is the Illinois Meat Company engaged in, Mr. Brickman?

A. We are generally in the meat packing business. We slaughter hogs and pack a complete line of canned meat.

Q. Where is that company located?

A. 3939 South Wallace.

Q. In Chicago?

A. Yes.

Q. What was your position with the Illinois Meat Company prior to the time of its acquisition by John Morrell?

A. I was executive vice president.

Q. How long were you executive vice president?

A. About 1953.

Q. What was your position prior to that time?

A. Vice president.

Q. What were your duties in those positions, that is, executive vice president and vice president?

A. Well, I had the production of the plant, personnel work, and looked after the purchasing end of the 3240 business.

Q. Under what labels has Illinois Meat Company sold its products?

A. Our canned meat under the Broadcast brand primarily.

Q. Have you done any private label packing, Mr. Brickman?

A. A fair, very small amount. We have done some, yes.

Q. What are the principal products that are sold under the Broadcast label?

A. Well, Broadcast Corned Beef Hash is the most prominent one, but Broadcast Chili and Stew, Sliced Beef, Vienna Sausage, a general line of canned meats.

Q. Are the Broadcast products extensively advertised?

A. Yes, I would say so.

Q. What impact has this advertising had on the sales of those products, Mr. Brickman?

A. I think it has helped our sales.

Q. In what way, sir?

A. Well, I think it has increased our business, given us more business, I hope.

Q. To whom do you sell your products, Mr. Brickman?

A. Wholesale grocers and the chain stores, primarily.

Q. Through what channels do you market your products?

3241 A. Well, we have some salesmen of our own, and some of it through brokers.

Q. In what areas of the country are your products sold?

A. Well, I would say primarily east of the Mississippi. We do a little bit in Iowa and Nebraska, but primarily east of the Mississippi, on east and south.

Q. During what period of time, Mr. Brickman, has Illinois Meat Company sold products to any units of Consolidated Foods Corporation?

A. Well, I would say it started in the '40's. I don't know exactly when.

Q. What was the approximate volume of your sales to Consolidated in 1958?

A. That was $165,000.00.

3242 Q. About what percentage was this of your total sales?

A. Oh, it is under one percent. I think it was about .7 of 1 percent, as I recall.

Q. What has been the trend of your sales to Consolidated since 1950?

A. I believe it is gradually increased.

Q. Have the Broadcast products, such as corned beef has been sold to Consolidated?

A. Yes.

Q. What has been the trend of your total sales since 1950?

A. The total sales, total business?

Q. Yes.

A. Well, it has increased since 1950.

Q. Mr. Brickman, who has placed the decisions as to your company's sources of supply for dehydrated onion, dehydrated garlic and capsicums since 1950?

A. I have.

• • • • •

3244 (The paper referred to, heretofore marked for identification Respondent's Exhibit 409, was received in evidence.)

By Mr. Walker:

Q. Mr. Brickman, Respondent's Exhibit No. 409 shows that Illinois Meat Company started purchasing from Gentry in 1951. Why was that?

A. Is this what I have, is that what you are referring to?

Q. Yes, sir, that is correct.

A. Well, as I recall, and this is going back ten years, Johnny Sarther was with Consolidated Foods. We had done business with him with Sprague-Warner. He was a personal friend and also a very close friend of the family and he called up about that time and said that they had consolidated, as I recall, had taken over Gentry and wanted to know if we might be able to do some business. It ended up that a salesman from Gentry called on us and the price seemed satisfactory, and the merchandise looked O.K., and we did do some business with them.

Q. What consideration did you give, Mr. Brickman, to the fact that Consolidated was a customer of your

3245 company in making this decision to buy from Gentry?

A. Well, I think it is a little difficult to answer. I was primarily, and there is no question about it, moti-

vated by the fact that Sarther was a friend of the family.

Now, at the same time, Consolidated was a nice customer of ours, and if things could have worked out that way we could do something for a customer, fine. Generally speaking, I have never liked to do business with the same people that our sales department are selling to because sometimes it leads to some difficulties, but I was motivated by the fact that Sarther was a friend of ours.

Q. What kind of difficulties could this lead to, Mr. Brickman?

A. Which difficulties?

Q. You said that buying from companies that your sales department sells to could lead to some difficulties. What kind of difficulties?

A. I am not sure that would lead to difficulties, but I have always felt that would be purchasing and selling that is two different things. If something happens to our purchasing end, it might possibly affect our sales end. That is one reason we never like to tie them in.

3246 Q. Have you ever discussed purchasing from Gentry with Mr. Sarther or any other official of Consolidated, other than the conversation you described?

A. Not as far as I recall, no.

Q. Have you ever discussed your company's sales to Consolidated with any personnel from Gentry?

A. No.

Q. Mr. Brickman, why did you stop buying from Gentry after 1954, except for the very small purchases in 1955 and 1957 of 120 and 50 pounds?

A. Well, we were doing business with Simplot. We had been doing some potato business with them and they started, they went into the dehydrated onion business.

Their price was cheaper and their quality looked as good, or perhaps better than what we were buying, and we just switched just for those reasons.

Q. Why did you switch to Puccinelli in 1956 and thereafter?

A. Simplot went out of business, and it so happened at that time we were doing business with Fahrenkamp who was Puccinelli's representative. He just got the onion powder business at that time and on the basis of price or quality.

Q. Had Illinois Meat Company purchased any capsicums from Gentry?

3247 A. I would say small amounts.

* * *

EARL P. BOLEN was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Earl P. Bolen.

Q. Where do you live, Mr. Bolen?

A. 10609 Sangamon Street, Chicago.

Q. What is your occupation?

A. Purchasing agent.

Q. For what company?

A. Griffith Laboratories.

Q. In what business is your company engaged, sir?

A. We manufacture meat packers' supplies, seasonings, things that might be involved in the meat packing and

3248 canning industry.

Q. Do you make any non-food products?

A. Yes, sir, we do. We make meat packing equipment, job thermometers, and we also custom sterilize products for other people.

Q. Are those products that you just mentioned, and the

custom sterilization done for or sold to processors, food processors?

A. Yes, sir.

Q. What is this sterilization service you mentioned, sir?

A. Well, that is a case where we take the customer's product and put it in a retort, subject it to gas and heat, and we sterilize the product in that way.

Q. Where is the general office of your company located?

A. Chicago.

Q. And the address, sir?

A. 1415 West 37th.

Q. Where are your plants located?

A. We have a plant now in Union, one in Los Angeles, and also one in Canada.

Q. That is in Toronto, Canada?

A. Right.

Q. And you also have one in Chicago?

A. Right. That is the main office.

3249 Q. Where was your plant at Union formerly located?

A. At Newark, New Jersey.

Q. When was it moved, sir?

A. Last year.

Q. Under what labels are your products sold?

A. The Griffith label.

Q. To whom are your products sold?

A. Directly to food processors.

Q. Do you also sell any to the institutional trade?

A. Very small.

Q. Through what channels do you market your products, sir?

A. Through our own salesmen.

Q. During what period of time has Griffith Laboratories sold its products to any unit of Consolidated Foods Corporation?

A. What was that again?

(The reporter read the question as follows:

"Question: During what period of time has Griffith Laboratories sold its products to any unit of Consolidated Foods Corporation?")

By the Witness:

A. Just about 1948.

By Mr. Walker:

Q. What is the approximate volume of your sales 3250 to Consolidated in 1958?

A. Around $3500.00.

Q. About what percentage was this of your total sales?

A. Less than one per cent.

Q. What has been the trend of your sales to Consolidated since 1950, Mr. Bolen?

A. They have been steady, not static I would say.

3251 Q. What products have you sold to Consolidated?

A. We have sold them some seasoning, and some thermometers, I believe, and I believe we have done some custom sterilization for them.

Q. Were all of the sales to processing units of Consolidated?

A. Yes.

Q. By the way, Mr. Bolen, do you know whether or not the seasonings that were sold to Consolidated by your company contained any dehydrated onion or garlic?

A. I wouldn't know.

Q. How do you use dehydrated onion or garlic in your products generally?

A. Well, we blend it in with our seasonings. We have prepared seasonings for meat packers, and we blend it, incorporate it into the seasoning, or we may resell it as we buy it in bulk.

Q. Do you sell the dehydrated onion and garlic in bulk under your label or the label of the supplier?

A. No, under our label.

Q. How do you use capsicum products, sir?

A. We buy chili pepper, and in that case it is used to make chili powder which is used of course for making chili.

3252 Q. Do the several plants you mentioned have independent purchasing authority?

A. Only on small items.

Q. Do they have it in relation to dehydrated onion and garlic?

A. No.

Q. Who has made the decisions as to sources of supply for dehydrated onion and dehydrated garlic and capsicums for your company since 1950?

A. I have.

Q. From what companies have you purchased dehydrated onion and garlic since 1948?

A. We have purchased from C. B. Gentry, of course, Puccinelli Packing, and some from Basic, a very small amount, Basic Vegetable.

• • •

3253 (The paper referred to, heretofore marked for identification Respondent's Exhibit 410, was received in evidence.)

Mr. Walker: Your Honor, Griffith Laboratories, as has been the case with some of the other witnesses, as you may recall, prefers not to disclose the precise amount of its purchases from Gentry's competitors.

By Mr. Walker:

Q. Mr. Bolen, directing your attention to this document, that is, Respondent's Exhibit 410, does the dehydrated onion and garlic that is shown under the heading, Chicago, is it all shipped to the Chicago plant?

A. No.

Q. Why is it shown under Chicago?

A. Well, actually the other plants are branch plants and the purchases are made through Chicago, and the billing, invoicing, is sent to Chicago.

Q. That is not true, I gather, of Toronto?

A. Toronto has their own purchasing, and I do
3254 not meddle with that at all. Separate company, actually.

Q. So that when you testified about the centralized purchasing that was in relation to the other plants in the United States?

A. Right.

Q. Where did this dehydrated onion and garlic that is shown under the heading Chicago, actually go? That is, to which plants?

A. Well, it was delivered, some of it, a small amount, to our Newark plant, which has since been moved to Union, and also to our Los Angeles plant, and some to Chicago, of course.

Q. And then how would you account for the 600 pounds of garlic shown under Newark, which apparently was billed directly to Newark?

A. Probably was a case of being out of stock and they had to pick up a small amount to get by because of the convenience of the stock.

Q. Did you purchase any dehydrated onion or garlic from Gentry prior to 1948?

A. Yes.

Q. Did you purchase any dehydrated onion or garlic from any other suppliers prior to 1948?

A. Basic Vegetable. Most of the bulk, though, I would say is Gentry.

3255 Q. In the years 1948 to 1955, from what company did you buy most of your dehydrated onion and garlic?

A. Puccinelli Packing Company.

Q. Why did you start giving Puccinelli most of your dehydrated onion and garlic business after 1948? That is, in the period '48 to '55, whereas you stated that prior to '48 you were giving most of it to Gentry?

A. Well, at that time Puccinelli came forward with onion and garlic, and we felt that their proposition was a better one than we had with Gentry. And, at that time we did not care too much about Gentry's marketing onion and garlic in the trade because they were going out after our customers. So we felt that Puccinelli would be more favorable.

3256 Q. And that was the reason for your shifting to Puccinelli for the major portion of your business back in about 1948?

Is that right?

A. That's right.

Q. Approximately what percentage of Griffith's total requirements of dehydrated onion and garlic was supplied by Gentry in each of the years 1955 to 1958?

A. Well, it is less than 5 per cent.

Q. From what company did Griffith buy the balance of its requirements of dehydrated onion and garlic in those years, 1955 to 1958?

A. Puccinelli Packing Company.

Q. Why have you continued to buy the amount of dehydrated onion and garlic that you have from Gentry?

A. The amount that was purchased from Gentry was probably due to its warehousing convenience, and Puccinelli Packing Company does not maintain warehouse stocks in the east, for example.

So, it was more of a case of convenience I would say.

Q. Why has Griffith purchased the major part of its dehydrated onion and garlic from Puccinelli in the years 1955 to 1958?

A. I would say because we felt that it was based on

3257 price and all concerned, the best deal.

Q. Do you buy any capsicums from Gentry, Mr. Bolen?

A. No.

Q. Mr. Bolen, have you had any conversations with any representative of Gentry or Consolidated about any relationship between your sales to Consolidated and your purchases from Gentry?

A. Yes, I have.

Q. With whom did you have that conversation, sir?

A. Martin Kraham, salesman for Gentry.

Q. Was that one or more than one conversation?

A. Well, I would say it was probably a continuance of conversations inasmuch as he called on me for quite some time.

Q. What was the substance of those conversations in relation to this subject matter?

A. Well, it was suggested by Marty Kraham if I would get back in the fold, so to speak, and buy from Gentry, that he might be able to do something for me with regard to business that we might acquire from Consolidated.

Q. That is, you might sell to Consolidated?

A. Right.

Q. When was the last conversation you had with Mr. Kraham?

3258 A. Well, it was shortly, of course, before he left the employ of Gentry, and I am not sure.

Several years ago, five, six years ago, I believe, something like that.

Q. What happened as a result of those conversations?

A. Nothing.

Q. Did these conversations have any impact on your sales to Consolidated, or your purchases from Gentry?

A. No.

Q. Did you discuss this matter with anyone in your company?

A. There may have been some discussion with Mr. Maren, who was in the sales, vice president in charge of sales.

Q. Do you recall the discussion you may have had with Mr. Maren?

A. Only to the fact that I probably carried the message of Marty Kraham. I don't recall the way it was discussed other than the fact he was told.

Q. Did anything happen as a result of that conversation?

A. No.

Q. Did you sell thereafter any more of your products to Consolidated?

A. No.

3259 Q. Did you buy thereafter any more of your products from Gentry?

A. No.

Q. Now, Mr. Bolen, if Consolidated bought more from Griffith, would you have bought more dehydrated onion or garlic from Gentry?

A. I may have if it were on the same basis of cost and service. However, I try to avoid reciprocity wherever I can.

Q. Why is that, sir?

A. Well, reciprocity makes it difficult for a buyer to operate freely.

Q. Other than the conversations that you have described, Mr. Bolen, have you had any other conversations or communications prior to the time that you were contacted in connection with your appearance as a witness in this case, involving any relationship of any kind between your company's sales to Consolidated and your purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No.

Q. What effect has the fact that Consolidated is a customer of Griffith had on the volume of Griffith's purchases

of dehydrated onion and dehydrated garlic from Gentry since 1950?

3260 A. Nothing.

Mr. Walker: Your witness.

Cross Examination

By Mr. Hays:

Q. When did you first have this series of conversations with Mr. Kraham?

When did they begin?

A. I would say they began about the same time as Mr. Kraham became employed with Gentry.

Q. When was that? Do you know?

A. I can't remember. He was with Gentry I would say, must have been about three or four years. I can't recall exactly the years involved, but it was after '49 and after '50.

I would assume it was about '51 and '52 when he first started to call on me.

• • •

3260 - 3272 [Respondent's Exhibits 411 through 413 were offered and received in evidence.]

• • •

3272 THOMAS B. BAILEY was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. Thomas B. Bailey.

Q. Where do you live, Mr. Bailey?

A. 405 South Wilmington Street, Streator, Illinois.

Q. What is your occupation, sir?

A. I am executive vice president of J. L. Read Foods.

Q. In what business is that company engaged, Mr. Bailey?

3273 A. We manufacture salad dressings and potato salad.

Q. Where are the general offices of that company located?

A. In the Streator National Bank, Streator, Illinois.

Q. Where is the plant located, sir?

A. In Streator.

Q. Did J. L. Read Foods, Inc. formerly operate any plants elsewhere?

A. We formerly operated in Franklin, Tennessee.

Q. When was that plant closed, sir?

A. 1957.

Q. Under what labels are your products sold, Mr. Bailey?

A. We pack under private label for other customers and our own labels, the Read label, Duncan Hines and Hill & Harrison label.

Q. Through what channels do you market your products, Mr. Bailey?

A. We sell through brokers' representatives and we have our own salesmen.

Q. During what period of time has your company sold its products to any units of Consolidated Foods Corporation?

A. We have been selling them since about 1950.

Q. Were the products sold to Consolidated packed

3274 under your label or under Consolidated's label?

A. Primarily their label.

3275 Q. What was the approximate volume of your company's sales to Consolidated in 1951?

A. In the neighborhood of $400,000.

Q. What was the approximate volume of your company's sales to Consolidated in 1958?

A. Approximately $200,000.

Q. $200,000?

A. Yes.

Q. About what percentage did your sales to Consolidated in 1958 bear to your total sales?

A. About 6 percent.

Q. Why did your sales to Consolidated decrease from about $400,000 in 1951 to about $200,000 in 1958?

A. Because during that period of time Consolidated commenced packing some of these items in their own plant which is located in Grundy Center, Iowa, and consequently they had taken over part of that volume.

Q. When did you start losing this dressing business, Mr. Bailey?

A. The latter part of 1954, I believe.

Q. To what classes of customers do you sell your products, sir?

A. We sell to institutional groups, wholesalers, institutional jobbers, retail chains.

Q. In which of your products do you use dehy-
3276 drated onion, dehydrated garlic and capsicums?

A. In some of the dressing items and in our potato salads.

Q. How long have you been executive vice president of the Read Company, sir?

A. February of 1960.

Q. What was your position prior to that time?

A. I was vice president.

Q. How long were you vice president?

A. From 1955. I joined the company in the latter part of 1953.

Q. What were you doing in the period between 1953 and 1955 when you became vice president?

A. Management training, I might say.

Q. Since 1955 have you been familiar with the decisions as to your sources of supply for dehydrated onion, dehydrated garlic and capsicums?

A. Yes.

Q. How have you become familiar with these decisions?

A. General conversations which we have in relationship to suppliers in determining whether we choose to take certain products and what sources of supply are being considered.

Q. You participated in the discussions among management making these decisions, is that right?

3277 A. Right.

* * *

3278 (Said document, heretofore marked Respondent's Exhibit No. 414 for identification, was received in evidence.)

By Mr. Walker:

Q. Mr. Bailey, why has your company bought dehydrated onion and garlic from Basic since you have been with the company?

A. Primarily quality reasons. Their qualities are good. Also the fact that customarily we try to carry second sources of supply for major ingredients.

Q. Why has your company continued to purchase some quantities of dehydrated onion and garlic from Gentry?

A. For primarily that reason, that we would continue as they were the initial supplier, and also we feel it important to have two sources of supply from a protective standpoint, availability of supplies.

Q. As between Gentry and Basic, which has had

3279 the better quality onion and garlic?

A. Basic has been considered by us to hold the edge as far as quality is concerned.

Q. Has that played any part in your purchases of dehydrated onion and garlic from Basic?

A. I would say it very definitely has. It was one of the reasons we initially purchased from them.

Q. Who is the president of your company, Mr. Bailey?

A. Mr. J. L. Read, Jr.

Q. Did Mr. Read ever tell you that he had discussed his company's sales to Consolidated with any Gentry salesman?

A. Yes.

Q. What did Mr. Read tell you about that discussion?

A. Only that his discussion with the salesman had had a reference to the fact that they were customers of ours and they would like to be in business with us, which they were, and substantially that's it.

Q. Did Mr. Read tell you when that discussion with the Gentry salesman took place?

A. I am sorry, I don't know just exactly what time that would have been.

Q. Would that have been before you came with the company, sir?

A. Yes, I am sure it was.

3280 Q. Did Mr. Read tell you the name of the salesman with whom that conversation took place?

A. Yes, I know the name of the salesman.

Q. What is his name?

A. Marty Kraham, I believe is the name.

Q. Pardon me?

A. Kraham.

Q. This is Commission's Exhibit 184-A and B which is a call report written by a Mr. Wachholz of Basic Vegetable Products, Inc. dated January 20, 1955.

Would you read that please, Mr. Bailey?

A. Under "general remarks"?

Q. Yes, please. Just read it to yourself.

Familiarize yourself with its contents, please.

Mr. Bailey, directing your attention to the second page of this document and specifically the third paragraph under "general remarks" on that page, is the Jack referred to in

that paragraph the Jack Read that you testified was the president of the company?

A. Yes, that is correct.

Q. This call report states in that same paragraph:

"Actually he said Jack prefers to buy from sources other than ones who sell his merchandise as he feels he can then be freer to complain if things go wrong."

3281 To your knowledge is that statement true, sir?

A. Yes, I would think that there would be truth to that statement because it is good business practice from the standpoint of a customer and supplier relationship.

I see nothing wrong with that.

3282 Q. Is that policy followed by Mr. Read, the president of the company, so far as you know?

A. I believe so.

Q. Mr. Bailey, what effect has the fact that Consolidated has been a customer of J. L. Read Foods, Inc. had on the volume of your company's purchases of dehydrated onion and dehydrated garlic from Gentry so far as you know?

A. I don't believe it has had any effect on it.

Q. Since the time you have been with the company and participating in these decisions, Mr. Bailey, if Consolidated had bought more products from Read, would your company have bought more dehydrated onion and garlic from Gentry?

A. I don't believe it necessarily follows that we would have bought more products from them had they bought more product from us other than what might be occasioned in normal volume increase, as a result of increased business in which case it probably would have reflected in both suppliers.

Q. That is, both Gentry and Basic would get more business as your requirements increased as Consolidated bought more of the goods using these ingredients, is that right?

A. That is correct.

3283 Mr. Walker: Your witness, Mr. Hays.

Cross Examination

By Mr. Hays:

Q. Mr. Bailey, did J. L. Read Company sell products to Consolidated Foods in each of the years from 1951 to 1958?

A. Yes, I believe they did. I am not too familiar with the period prior to coming with the company, but my understanding was it was back to 1950, and we have sold them through the period listed in this report.

Q. In 1951 did you sell them approximately $400,000.00 worth of merchandise?

A. I believe that is right.

Q. What percentage of your total sales does this $400,000.00 represent?

A. At that time I would suppose it is in the neighborhood of 5 or 6 per cent.

Q. That was in the neighborhood of 5 or 6 per cent in 1951?

A. Oh, no, that wouldn't be right.

What was the volume at that time, $400,000.00?

Q. Yes.

A. I would presume that it would be maybe 4.

Q. Sir?

A. Four to 5 per cent. I am not sure what the vol-

3284 ume was at that particular time.

Q. Well, then in 1958, $200,000.00 in sales to Consolidated represents 6 per cent of your sales?

A. That is right.

Q. Have your sales gone down overall since 1951?

A. I am not sure what the volume figure was in 1951. Our sales in 1958 were something over three million dollars.

Our sales to Consolidated were about $200,000.00, I believe, which is about 6 per cent.

Q. What were your total sales in 1951, do you know?

A. I am not certain what they are at the moment, no. I would think they were in the neighborhood of maybe a million and a half.

Q. A million and a half?

A. Yes.

Q. Approximately how much dollarwise did you sell to Consolidated Foods in each of the years 1952 to 1957?

A. I think the volume went up to the neighborhood of $600,000.00 in 1953.

Q. What about 1952?

A. Pardon me?

Q. What about 1952?

A. You want the year specifically?

3285 Q. Yes.

Mr. Walker: If he recalls.

By the Witness:

A. I am trying hard to recall but the peak years I recall it was '53, if I may start there.

It was somewhere around $600,000.00. It was somewhat less than that in 1952, I would guess maybe $500,000.00, maybe $550,000.00.

Since 1953 it has come down steadily to the present level of $200,000.00.

By Mr. Hays:

Q. Do you have anything to do with selling, Mr. Bailey?

A. Yes, I do at the moment. It is primarily general management; however, I do supervise and look after the Chicago market and Minneapolis markets. We have a sales manager who supervises sales in other areas.

Q. When in 1953 did you come with the company?

A. November of 1953.

Q. Almost 1954?

A. Correct.

Q. Did you have any contacts with Mr. Kraham?

A. I have only met him on one occasion that I recall.

Q. When was that, sir?

3286 A. That was shortly after I came with the company, I would guess.

Q. What happened at that meeting?

Mr. Walker: Excuse me. Before you go on, did you get the last answer?

(The answer was read by the reporter as follows:

"Answer: That was shortly after I came with the company, I would guess.")

The Witness: I would say sometime in the year 1954. I don't recall that we had a specific meeting at any time of any kind or at that particular time. I just happened to meet the gentleman at the time he was in our office calling on the purchasing department.

By Mr. Hays:

Q. Did you have any conversation with him at that time?

A. I had no contact with him.

* * *

3288 Chicago, Illinois
March 9, 1961

3289 PROCEEDINGS

* * *

DANIEL F. GERBER was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your full name, please?

A. Daniel F. Gerber.

Q. Where do you live?

A. Fremont, Michigan.

Q. What is your occupation, Mr. Gerber?

A. I am president of Gerber Products Company.

Q. In what business is that company engaged, sir?

A. In the sale and manufacture of baby foods.

Q. Where are the general offices of your company located?

A. At Fremont, Michigan.

Q. Where are the plants located, Mr. Gerber?

A. One at Fremont, one at Oakland, one at Rochester, one at Asheville. That is our United States plants.

3290 Q. How long has Gerber had the Asheville plant?

A. Well, the plant has been in operation since about November of 1959.

Q. Under what labels are your baby food products sold?

A. The Gerber label.

Q. How do you sell your products?

A. Largely through our own sales force. We do have two brokers in a few remote areas.

Q. During what period of time has Gerber sold its products to any unit of the Consolidated Foods Corporation?

A. Well, since prior to 1950.

Q. What was the approximate volume of your sales to Consolidated in, say, 1952?

A. I will have to consult records on that. I think it was 265,000. Yes, $265,000.00.

Q. What was the approximate volume of your total sales in that year, sir?

A. 51,900,000.

Q. What was the approximate volume of your sales to Consolidated in 1958?

A. 924,365.

Q. What was the volume of your total sales in that year?

3291 A. 114,000,000.

Q. What, in your opinion, Mr. Gerber, accounts for the increase in your total sales during the period 1952 to 1958?

A. Well, some of it was due to the increase in the birth rate, but most of it was due to increased consumer demand, created through our advertising and selling efforts.

Q. What, in your opinion, accounts for the increase in your sales to Consolidated during that same period?

A. Well, I would think some of the same factors, but in addition during that period Consolidated acquired quite a number of additional distributor companies.

3292 Q. How long have you been president of Gerber Products Company?

A. That is one thing I can't answer accurately because I don't remember. But, it has been since about 1945 or '46.

Q. Do you use any dehydrated garlic in any of your products?

A. No.

Q. Do you use any capsicums in any of your products?

A. Not that I know of.

Q. Do you use any dehydrated onion in any of your products?

A. Yes.

Q. In which of your products do you use dehydrated onion?

A. In some of our meat combination baby food products.

Q. Is dehydrated onion for use at all of your plants purchased by the central office in Fremont or is it purchased separately by each of the plants?

A. Well, it is purchased separately, but under the di-

rection of the general purchasing agent in Fremont and under direction of our quality control.

Q. I see.

Mr. Walker: This is Respondent's Exhibit 415, 3293 which is the purchases of dehydrated onion by Gerber Products Company in the years 1946 to 1958.

The source of the Gentry data is the Service Bureau Corporation tabulation. The source, or the data showing Basic sales at the Fremont plant in the years 1949 to 1957 is Commission's Exhibit 219, and the source of the data showing Basic sales to all plants and Basic sales to the Fremont plant in 1958 is the records of the Gerber Products Company.

It is noted here that Gentry sold dehydrated onion only at the Fremont plant, whereas obviously, Basic sold it at the plants other than Fremont and the Fremont plant.

(The paper referred to was marked Respondent's Exhibit 415 for identification.)

By Mr. Walker:

Q. Mr. Gerber, directing your attenting to Respondent's Exhibit 415 for identification, where was the data on your purchases from Basic for the Fremont plant in 1958, and your total purchases from Basic in the years 1951 to 1958 obtained?

A. From our company purchase records.

Q. Was this data compiled by your accounting department?

3294 A. Yes.

Q. Would you be willing to make the records from which data was taken available to the government for inspection?

A. Yes.

Mr. Walker: At this time I will offer Respondent's Exhibit 415 into evidence.

Mr. Hays: No objection.

Hearing Examiner Kolb: The document may be received in evidence as Respondent's Exhibit 415.

(The document referred to, heretofore marked for identification Respondent's Exhibit 415, was received in evidence.)

By Mr. Walker:

Q. Mr. Gerber, who is in charge of purchasing dehydrated onion for your company at the central office?

A. M. B. Kimball, our general purchasing agent.

Q. Is it his practice to discuss with you decisions as to sources of supply for ingredients such as dehydrated onion?

A. No, not unless there is some policy question involved.

Q. Mr. Gerber, before you were contacted in connection with your appearance as a witness in this case, 3295 had you ever talked with anybody about a relationship of any kind between your company's sales to Consolidated, and your company's purchases of dehydrated onion?

A. Yes.

Q. With whom did you talk about this?

A. Nate Cummings.

Q. That is the Mr. Cummings who is the chairman of the board of Consolidated?

A. Yes.

Q. When was this conversation with Mr. Cummings?

A. I can't recall. It was so long ago, but I do recall having the conversation.

Q. What was the substance of the conversation, Mr. Gerber?

A. Well, along in the conversation he mentioned that they had acquired Gentry, and that Gentry was in the spice business. He mentioned they would like to have consideration.

3296 Q. This is consideration in the area of purchases from Gentry?

A. Yes.

Q. What happened after this conversation, if anything, Mr. Gerber?

A. I called Mr. Kimball and told him of our conversation over the telephone, and suggested that he consider Gentry as a source, but told him as I told him on many other similar instances, that it was still up to him to purchase whatever he could purchase to the best advantage.

Q. Did Gerber thereafter purchase from Gentry, Mr. Gerber?

A. Yes.

Q. In making that decision, what consideration was given to the fact that Consolidated was a customer of Gerber?

A. Well, the fact that I called attention to Consolidated may have started some inquiry, but beyond that I don't think a thing. Except, we did like more than one source of supply on all of our products.

Mr. Walker: Your witness, Mr. Hays.

Cross Examination

By Mr. Hays:

Q. How did you happen to have this conversation
3297 with Mr. Cummings?

A. I can't recall whether I called him or he called me.

Q. Do you do the selling for the Gerber Company?

A. No, not directly.

Q. Do you know Mr. Cummings is president of Consolidated Foods?

A. Yes.

Q. Did you ever attempt to sell him any of your products?

A. No.

Q. Did he know, did he indicate in his conversation that you did sell products to Consolidated Foods?

A. Yes.

Q. Have you sold products to Consolidated Foods in each of the years from 1952 to 1958?

A. I am sure we have. Yes, we have.

Q. What are your total sales for the years, 1953 to 1957, each of the years, to Consolidated Foods?

A. Well, 1953 was 300,406; 1954, 402,236; 1955, 426,732; 1956, 667,496; 1957, 880,702; 1958, 924,365.

Q. Why, during the period 1951 through 1958, have you bought most of your requirements of dehydrated onion from Basic Vegetable Products Company?

A. What period was that?

3298 Q. 1951 through 1958.

Mr. Walker: The data is shown on Respondent's Exhibit 415.

By the Witness:

A. Well, our Oakland plant is located close to Basic, and I think it was just a natural thing for us to purchase there.

* * *

3299 JAMES M. CHRISTIAN was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Will you state your full name, please?

A. James M. Christian.

Q. Where do you live, Mr. Christian?

A. I live at 1620 West 102nd Street, Chicago.

Q. What is your occupation, sir?

A. I am the treasurer of the company.

Q. And what company is that, sir?

A. Blue Seal Food Products Company, Inc.

Q. Where is that located, sir?

A. In Chicago.

3300 Q. In what business is that company engaged?

A. We manufacture salad dressing products.

Q. Under what labels are those products sold, Mr. Christian?

A. We are known as a private label manufacturer, mostly under your customers' label and some of our own.

Q. To whom do you sell your products, sir?

A. Wholesale grocers and institutional jobbers, and the chain stores.

Q. Through what channels do you market your products, sir?

A. We sell through our own salesmen. We have our own salesmen and then we use food brokers.

Q. Have you at our request obtained certain information about your company's sales to Consolidated Foods Corporation?

A. Yes, I have.

Q. During what period of time has Blue Seal sold any of its products to any units of Consolidated?

A. May I refer to some notes I made?

Q. Yes.

A. I think I have the date. Since 1946.

Q. What products have you sold to Consolidated?

A. We have sold, over the years, our full line of

3301 products, all of the dressings and miscellaneous specialty items.

Q. Do you still sell any of your products to Consolidated?

A. A few.

Q. Have you sold less or more of your dressings to Consolidated in recent years?

A. We have sold less.

Q. Why is that, Mr. Christian?

A. Well, I don't know the exact date, but they had their own plant out in Iowa that they manufacture a great many of the same products that we do.

Q. What was the approximate volume of your company's sales to Consolidated in 1950?

A. In 1950 we sold to various units of Consolidated, $134,000.

Q. What was the approximate volume of your company's sales to Consolidated in 1958?

A. 1958 it was $12,000.

Q. What percentage would that be of your company's total sales in 1958?

A. Well, it is less than one percent.

Q. Would you please describe your duties as treasurer?

A. Well, as treasurer of the company I have charge of all of the auditing, the preparation of financial statements, our contacts and dealings with the banks, and the purchasing of various raw materials, containers, labels, and so forth.

3302

Q. How long have you performed these duties?

A. Well, I gradually over the period of years, more and more all the time.

Q. For how many years have you had knowledge of the reasons for choosing your sources of supply for dehydrated onion, dehydrated garlic and capsicums?

A. That goes back to 1952 on those items.

Q. In which of your products do you use onion, garlic or capsicums?

A. Do you want me to name the items? I prefer not to name the particular products.

Q. Just the types of items.

A. Well, it is the French type dressing, pouring dressings of that nature.

• • •

3304 (The paper referred to, heretofore marked for identification Respondent's Exhibit 416, was received in evidence.)

By Mr. Walker:

Q. Now Mr. Christian, Respondent's Exhibit 416 indicates that you purchased your dehydrated onion and garlic primarily from Puccinelli in the years 1948 to 1951, and primarily from Basic in the years 1952 to 1954. Why did you change from Puccinelli to Basic in 1952?

A. Well, from our records it shows, and I remember it was just because they had a better price than the Puccinelli people.

3305 Q. That is, Basic had a better price?

A. Yes.

Q. Why did you change to Gentry in 1955?

A. Well—

Q. In 1956?

A. Well, Gentry had a better price, and from our analysis of the products we considered it a better product for us for the use we were going to use it for.

Q. Why did you resume purchasing from Basic in 1957?

A. Well, 1957 Basic met the Gentry price that had been offered us, and our lab okayed their product for use, qualitywise.

Q. So, how did you handle the dehydrated onion and garlic purchases in 1957 and 1958?

A. We were splitting them between the two companies.

Mr. Walker: This is Commission's Exhibit 203, which I am passing out to the witness.

By Mr. Walker:

Q. Mr. Christian, this is Commission's Exhibit 203 which purports to be a sales report by a Mr. Wachholz, the salesman for Basic Vegetable Products, Inc., and it is dated March 24, 1955.

Would you read this, please, Mr. Christian?

A. The general remarks?

Q. Yes, please.

3306 A. Ask Joe—

Q. I mean, read it to yourself, sir.

A. Oh, certainly.

Q. Have you finished it, sir?

A. Yes, sir.

Q. Do you know who the Joe is that is referred to there?

A. It is Joe Weiss. It was our chemist.

Q. It states here in this call report, that Blue Seal Foods is, and I quote, "splitting business now because of Gentry-Consolidated tie-up."

Is that statement true?

A. No, it is not.

Q. This is Commission's Exhibit 204, which is another sales report by Mr. Wachholz, and this one is dated August 18, 1956.

Would you read the portion of this call report that relates to the Reese Finer Foods, under general remarks, Mr. Christian?

A. Yes, sir.

Q. Have you finished reading it, sir?

A. Yes, sir.

Q. Now, this call report states, and I quote, "Blue Seal Products had to take in over 5,000 pounds of onion and

3307 garlic about four months ago in return for a contract from Consolidated to produce salad dressing."

Is that statement true, Mr. Christian?

A. No, sir.

Q. Mr. Christian, Mr. Sparling, who is the sales manager of Basic Vegetable Products, Inc., has testified in this case that in his opinion, Basic lost business with Blue Seal because of the Gentry-Consolidated relationship.

Is that true?

A. No, sir.

Q. Do you purchase any capsicums from Gentry, Mr. Christian?

A. No.

Q. Mr. Christian, before you were contacted in connection with your appearance as a witness, had you ever talked with anyone about a relationship of any kind between your sales to Consolidated and your company's purchases of dehydrated onion, dehydrated garlic or capsicums?

A. No, sir.

Q. Have you had any communication of any kind on that subject?

A. No, sir.

Q. What effect is the fact that Consolidated is a customer of Blue Seal had on the volume of your pur-
3308 chases of dehydrated onion, dehydrated garlic from Gentry?

A. It has had no effect.

Q. What part does your laboratory play in your purchasing of ingredients, Mr. Christian?

A. We call it a quality control laboratory. They check all the raw materials as they come into our plant for standards, and to see if they are up to standard, and check samples that are submitted to see if they would be approved.

That is all.

Mr. Walker: Your witness, Mr. Hays.

Cross Examination

By Mr. Hays:

Q. Mr. Christian, who is Mr. Herb Novitt?

A. I don't know him personally, but I believe he is connected with the Reese Finer Foods people.

Q. Are they a part of your company?

A. No, sir. They are a customer of ours.

Q. What were your sales to Consolidated, dollar volume-wise, in each of the years 1951 through 1957?

A. I don't know.

Q. You did not bring those figures with you?

A. No, I did not.

Q. During that period it became more difficult to
3309 sell your products to Consolidated Foods due to the fact that they had started manufacturing similar types of products on their own?

A. Well, you might say difficult. We did sell them.

Q. But, you didn't sell them as much?

A. That's right.

Q. During the period from 1950 through 1958, have the total sales of Blue Seal Food Products, increased, decreased, or remained the same?

A. I don't have those at hand, but I would say it has been mostly increased each year.

Q. Do you have a Dorothy McMahan with your company?

A. Yes.

Q. What is her position?

A. She is the secretary of the company.

Q. She is also a part owner?

A. Yes, sir.

Q. Does she do anything, does she do any buying for the company?

A. Yes. She has authority to order and buy with my supervision.

Q. Do you have a Mr. Dave Anderson with your company?

A. Yes, sir.

Q. What does he do?

A. Sales manager.

3310 Q. Have you done any selling of your company's products, Mr. Christian?

A. Not directly. I have gone with our salesmen on occasions.

Q. During the period 1950 through 1958 Mr. Anderson

had charge of those sales of your company?

A. No.

Q. Who was in charge of your sales during that time period?

A. Mr. Rudd was our sales manager prior to Mr. Anderson, and I believe Mr. Anderson came in 1955.

Mr. Hays: That is all.

Redirect Examination

By Mr. Walker:

Q. Would this Miss McMahan have any authority to change sources of supply for products like dehydrated onion and garlic without discussing the matter with you?

A. No.

• • •

3311 Hearing Examiner Kolb: The document will be received in evidence as Respondent's Exhibit 417.

(The paper referred to was marked Respondent's 3312 Exhibit 417 for identification and received in evidence.)

• • •

GEORGE L. MEHREN was called as a witness for the Respondent and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Walker:

Q. Would you state your full name, please?

A. George L. Mehren, M-e-h-r-e-n.

Q. Where do you live?

A. 2701 Shasta Road, Berkeley, California.

Q. What is your occupation, sir?

A. I am director of the Giannini Foundation of Agricultural Economics, and chairman of the department of agricultural economics, professor of agricultural economics, and economist on the U. S. Agricultural experiment station in the University of California.

Q. What is the Giannini Foundation?

A. The Giannini Foundation is an endowed research agency as endowed by Mr. Giannini of the Bank of
3313 America. Basically, it is the single research instrument of the entire University of California for economic analysis of all matters relevant to the agricultural industry, all parts of the food trade, and all elements of basic natural resources.

Q. Would you please describe your duties as director of the Giannini Foundation in brief fashion?

A. Yes. I am responsible to generate, fully to execute the program and to make the research results useful to the public at large.

Q. How large is the Foundation staff, sir?

A. About two hundred people on it.

Q. About how many research projects are currently being conducted by the Giannini Foundation?

A. Presently there are in the neighborhood of one hundred thirty separate research projects under way.

Q. Could you give us just a couple of examples of those research projects, Dr. Mehren?

A. Would you like those with respect to marketing, or just the whole field?

A. Well, a couple in relation to marketing would be fine.

A. Oh, there are a series of projects dealing with the competitive structure, of the distributive trade.
3314 There are projects dealing with changes in the competitive structure, and its impact on the processing and farm production, a variety dealing with the deficiency, layouts, scale of processing and distributing, handling.

There is bulk handling work going, there is demand analysis, market analysis. Actually I would guess that

almost half of the pro- am of the Giannini Foundation deals with food and agricultural marketing.

Q. What is done with the end product that comes out of these research projects?

A. They are published and made available to other professional people, to all arms of the Federal Government, the state government, local government, trade associations, operating industries, and other people who are interest in the problems at issue in the research program.

Q. Would you please describe your duties as chairman of the department of agricultural economics of the University of California?

A. In that job I am responsible for the development of formulation, execution of the entire academic program at both the graduate and undergraduate levels, and for all of the degree programs we give on all of the campuses.

3315 Q. About how many teachers are there in the department, sir?

A. There are about fifty with professorial status. We have about fourteen extension economists who also have academic status in addition to that.

Q. Do you have any positions at the University of California other than those you have mentioned earlier?

A. Yes. I am on the executive board of the school of business administration. I am on the board of the institute of industrial relations, which handles research into labor economics. I am on the board of the institute of international studies, which has responsibility for all the international research of the university. I am on the board of the water resources center, which handles the reseach program for basic economics, and also on the wild land center.

Those are all I remember.

3316 Q. Would you describe your education?

A. I hold a Bachelor of Arts in economics, 1938 I

think. I also hold a Doctor of Philosophy in agricultural economics, 1942, both from the University of California.

Q. Have you held any Government positions?

A. Yes, I have been consultant and collaborator intermittently and rather regularly, with the United States Department of Agriculture in Washington, and the California Department of Agriculture in Sacramento from 1948 up to the present.

Then, in 1951-1952, I was director of the Food and Restaurant Division of the Office of Price Stabilization in Washington.

In the same year I was a consultant to the economic stabilization which handled rent control, wage control, monetary control during the Korean period.

I became consultant to the Director of Price Stabilization later. Then, for a relatively short period of time I was acting director in the office of Price Stabilization encompassing all of the price programs of the Office of Price Stabilization.

The years 1952 through 1954 I served as a consultant to the Director for Food and Agriculture in the Foreign
3317 Operations Administration at Washington, and with its successor agency, Mutual Security Administration.

Currently I am a member of the National Defense Executive Reserve, which is in the Executive Office of the President. I am also a consultant to the Office of Civilian Defense Mobilization, and I am presently becoming a consultant to the International Cooperation Administration to appraise their foreign programs in Asia.

Those are all I remember, Mr. Walker.

Q. Have you held any positions with foreign nations?

A. Yes.

In 1952-'53, I served as advisor to the Minister of Agriculture and Fishery for the United Kingdom. In the same years I was advisor to the Secretary of State for Scotland.

The next year, '53-'54 I was advisor to the Minister of

Agriculture and Livestock for Venezuela, and in 1956 I was Advisor to the Minister of Agriculture and Forestry for the Republic of Italy.

From 1956 on I have been an intermittent consultant to the Division of Economics in the Food and Agriculture Organization of the United Nations at Rome. Then, in 1955-'56 I served as Dean of Economics responsible
3318 for the International Center for the training and statistics, and agricultural economics which was sponsored by the Republic of Italy, Food and Agriculture Organization of the United Nations, and the University of Rome.

Q. In general, what did these consulting positions that you have just described involve, Dr. Mehren?

A. Almost always there were two major duties. One of them was to help in the formulation and execution of pricing policies for the food and agriculture industries all the way from farming up through the retailing end, and the other was to deal primarily with the development of market programs which would help in their basic development plans for the countries at issue.

Q. In which fields have you done most of your writing?

A. Most of my writing is concentrated in what might be called, or what an economist at least would call market control in the food and agriculture industry, and also in the market organization in the food and agricultural industries.

3319 Q. What do you mean by market control?

A. Market control is really an analysis of the effects of a large number of different types of monopoly programs in the production and sale of American food products in American markets under the sanction of special agricultural statutes, specifically the Marketing Agreement Act of 1937, the various price control price support statutes.

Q. The other fields you mentioned I believe was market organization?

A. Market organization. Briefly, this is an effort to determine the causes and the effects specifically and generally of changes in the number, the size, the operations of different kinds of food enterprises in different functional segments of the food trade, from retailing to wholesaling, to processing, down to production.

Q. About how many papers or articles in the field of economics have you written in the last 10 years?

A. It exceeds 100.

Q. About how many of these were in the area of market control and market organization?

A. I would guess at least 40 of those were in those two areas, perhaps more.

Q. What has been the nature of those papers and 3320 articles?

A. Well, they varied all the way from purely methodological, highly technical, highly professional papers, to those which were written at the request of Federal Senate or House Committees, Legislative Senate or House Committees, Executive Committee requests, Foreign Government requests, Trade Association requests, industry requests.

Nearly all of them were directed to some specific control or market problem which at the time of the study was an important one.

Q. Have you held any positions with any marketing or economic organizations?

A. Yes. I belong to the usual academic economist associations, including American Farm Economics, Western Farm Economics.

I have been on the board of directors of the American Marketing Association. I have been the managing editor and the editor in chief of the Journal of Marketing, also.

Q. What is the Journal of Marketing?

A. The Journal of Marketing is the professional publi-

cation medium of the American Marketing Association, which in effect, I think, encompasses all phases of all types of marketing for all of the industries of the nation.

3321 Mr. Walker: This completes the examination concerning Dr. Mehren's qualifications, and prior to his giving his economic opinion in relation to this case, do you wish at this time to cross examine on voir dire?

Mr. Hays: I would prefer to reserve my cross examination on that point, your Honor, until I see specifically the area that Dr. Mehren is going to testify.

Hearing Examiner Kolb: You may proceed.

By Mr. Walker:

Q. Dr. Mehren, have you been retained by us to conduct an economic study in connection with this case?

A. Yes, I have.

Q. First, Dr. Mehren, would you please state in economic terms, that is, in the terms that you use as an economist, the differences among horizontal, vertical, and conglomerate mergers?

A. To an economist a horizontal merger always and inevitably involves the elimination of at least one competitor through the acquisition of at least one firm that is producing the same goods, and the same service.

A vertical merger so far as an economist is concerned, again forecloses at least one buyer-seller market rela-

3322 tionship through the acquisition of an enterprise which was formerly independent and autonomous, and serving either as a customer or supplier of the acquired firm.

A conglomerate merger is usually defined by an economist as not being horizontal or vertical, but rather anything else.

Q. According to economic analysis, Dr. Mehren, how does a horizontal merger affect competition?

A. Well, a horizontal merger, if it is a real horizontal

merger, must almost automatically eliminate at least one competitor, and if it doesn't eliminate at least one competitor, then it isn't possible for it to have any effect really upon prevailing competitive structure in the market.

Q. And according to the economic analysis, how does a vertical merger affect competition?

A. Well, again, if it is a real vertical merger, it forecloses at least one buyer-seller market relationship which prior to the merger involved independent relationships, and again, if it doesn't do this it also cannot have any real effect upon the nature of the competition in the market at issue.

Q. In what ways again, according to economic analysis, can a conglomerate merger affect competition?

A. Unless by some means or other in the short run
3323 or in the long run, or ultimately, it leads to basically the same effect as either a horizontal or vertical merger, it, too, cannot affect competition.

In short, if a conglomerate merger doesn't ultimately result in the elimination of at least one competitor which is the necessary first step to an effect on competition, or if it doesn't foreclose at least one formerly independent buyer-seller relationship, it doesn't have any effect.

Q. Dr. Mehren, what are the principal factors that you, as an economist, would ordinarily take into account in assessing the economic effect of a particular merger in the markets in which the company involved is selling?

A. I think that almost any economist would have to do about the same thing here. He would have to look at about four different major attributes of the market at issue and the firms at issue.

The first thing that any economist would have to measure is what is called in the professional jargon at least market structure. Then he would have to look secondly at

the size or the other dimensions of the market that are at issue.

A third thing I think that any economist would have to regard here would be the demonstrated mar-
3324 ket behavior or performance in the market at issue, but most important, at least to me in the analytical work I have done, the most important thing is to look at the actual operations of the specific companies that are involved in the merger itself.

3325 Q. What are the principal fact areas that you would consider in connection with market structure?

A. A real and complete and technical definition of market structure would be quite a complex matter, but it could be boiled down, which economists rarely do, I think, into three major points.

You look at the number of firms, the size of the firms, the market position or relative market shares of the firms. That is the first thing you look at.

The second thing you look at, and perhaps this is the most important one really to an economist at any rate, is the degree to which the products at issue are standardized, how similar are they.

The third thing you look at is the ease of entry, how easy it is for new people to come in, how easy is it for old people to expand, and the correlative of that, the easiness of getting out of the business too.

Q. What are the principal fact areas to be considered in connection with market dimension?

A. Again, if you are an economist who measures things you really start with the product, and more important than that you start with some idea of the product sub-
3326 stitutability because if you can define the product you automatically can define the other attributes or other dimensions of the market at issue.

So, what you do is, you say for the purpose of this in-

quiry I am going to say that this market includes the following items. For instance, you could say it includes all automobiles. It includes all passenger automobiles. You could say it includes all Chevrolets. You could say it includes all Chevrolet station wagons.

Now, once you have defined the products and the degree of substitution among the products that are included in your definition, then automatically you have defined the size, the location, the nature and the type of the customers. You have automatically defined the nature, the size and the type of the competition, and you have automatically defined the nature, the size, and the type of the suppliers.

Similarly, you do the same thing in looking at the supply side of it. For my part of it, I always like to look at the trends in the size of the product market, the market that is being sold. In this case it would be dehydrated onions and garlic, and also look at the size trend, geographic
3327 scope of the raw materials that go into it.

Q. What are the principal fact areas to be considered in connection with market behavior or performance?

A. I always look at two things and I think most other economists do the same in answering the question of that sort.

You try to find out what class of competition technically speaking, prevails in the sales of the product or procurement of raw materials and supplies. Is it purely competitive, is it something shifting over toward product differentiation, what type of competition is it?

But, more important than that you look at the actual things that the people who are in the market at issue can really do in selling their products. Do they have to sell it on price alone? Do they have to sell it as a standard item exactly like their customers. Can they brand it? Can they promote it?

In short, what are the actual methods that are being used either to sell the product or to get the raw material? That is the important element of behavior or performance to me.

3328 Q. In what three areas would you look at the market behavior or performance?

A. Oh, I would look at areas of procurement, how do firms get their supplies. I would look at their production practices because there you can or cannot have a competitive advantage over other people.

And thirdly, I would look at their merchandising practices. If you look at those three things you can determine how profitable they will be or won't be.

Q. In looking at each of those areas you assess the degree and types of competition in each one of those areas. Is that right?

A. Yes, all three.

Q. What are the principal fact areas to be considered in connection with the actual operations of the firm involved in the merger?

A. It seems to me this is one of the most important questions involved, and probably one of the most difficult.

Again, I look at two major things. I try to find out whether any economic advantages could possibly or conceivably result from the merger. That is the first thing I look at.

The second thing I try to find out on the basis of
3329 fact, since the acquisition at issue, whether these advantages can be used or actually have been used in the specific market that is under consideration.

Those are the two things I have learned to look at.

Q. Dr. Mehren, do you have an opinion whether from an economist's viewpoint, the acquisition of Gentry by Consolidated Foods Corporation has had, or can be reasonably expected to have a substantial effect on competition

in the market consisting of the production and sale of dehydrated onion and garlic?

A. Yes, I have an opinion.

Q. Would you please state first the nature of the material you have taken into consideration in reaching that opinion?

A. My opinion is based solely upon the record which includes the transcripts and the exhibits, and it is also based upon my professional education and my experience in the food industry.

Q. Have you read the transcript in its entirety, as well as all the exhibits that have been offered in evidence?

A. Yes, I have, sir.

Q. Dr. Mehren, what is your opinion as to whether from an economist's viewpoint the acquisition of
3330 Gentry by Consolidated has, or can reasonably be expected to have a substantial effect on competition in the production and sale of dehydrated onion and garlic?

Mr. Hays: I object, your Honor. It is getting into the area of ultimate fact which is exclusively within the province of the Hearing Examiner and the Commission.

3331 Mr. Walker: Your Honor, I have deliberately worded this question as to make it clear all I am asking of Dr. Mehren is an economist's viewpoint on this matter.

Again, I have phrased the question not in terms of the legal judgment that must be made here, but in terms of the economic effe[illegible]s an economist would look at it, not as a lawyer would look at it.

I would like your Honor, if I may, to refer to just a few decisions in this area which I think exemplify the modern trend on this issue.

The objection that Mr. Hays is making is the same objection that is sometimes made in cases that an expert cannot be allowed to invade the province that is reserved to the

trier of the facts, and that is the issue that has been raised here.

The courts have in recent years held quite consistently that this objection is outmoded, and that today, and in recent years, the court should take advantage of any opinion from an expert even though it is on the issue that is to be tried by the judge or by the jury.

I would like to read, if I may, your Honor, just a couple brief quotations on it.

3332 First, from Meredith vs. United States, 238 Fed. 2d 535. This is the Fourth Circuit, 1956.

I quote from page 543:

"It is argued that to allow expert opinion upon the ultimate issue is to permit the witness to usurp the jury's function. We think this broad and oft-stated proposition should not be applied as a dogmatic rule for the modern tendency in the law of evidence is to give the triers of facts all the light they can have, especially in complicated technical situations."

The court in Millers National Insurance Company vs. Wichita Flour Mills Company, 257 Fed. 2d 93, Tenth Circuit, in 1956 stated at page 100:

"The controlling rule as stated by the United States Supreme Court is that where the matter under inquiry is properly the subject of expert testimony, it is no objection that the opinion sought to be elicited is upon the issue to be decided. That rule has been followed in this Circuit and applied in two recent decisions."

I have the facts of these cases here, your Honor, and can supply them if you wish, but I thought that I would just give you the trend of the language and the decisions

3333 first. The next case, your Honor, is Francis vs. Southern Pacific Company, 162 Fed. 2d 813. This is the Tenth Circuit in 1947:

"The opinion of a witness qualifying as an expert is not

admissible in evidence where the question for determination by the jury depends entirely on common knowledge and common understanding, and no special training or experience is required for its correct decision. In a case of that kind the jury is equally competent with the expert to weigh and appraise the evidence, and to draw conclusions from it, and therefore expert testimony should be excluded."

It is true here, your Honor, that the hearing examiner and the Commission is equally competent with the expert to weigh and appraise the evidence in relation to the legal issue that is to be decided, but in doing so it seems to me from the decisions that I have referred to earlier, your Honor, they are entitled to have the judgment of an expert economist looking at the issue not on the statutory issue, but on the issue as an economist would pose it.

One last decision, your Honor, Padgett vs. Buckston Smith Mercantile Company, 262 Fed. 2d 39. This is the Tenth Circuit again in 1958, and there the Court said, referring to the expert testimony:

3334 "It is not rendered inadmissible simply because it invades the province of the trier of the critical issue."

I think more and more, your Honor, there is this tendency that lawyers and courts, some lawyers and courts, anyway, are in disagreement on to focus attention upon the economic side of a case, and I am sure your Honor is familiar with the practice of Judge Wyzanski, for example, in the United Shoe Machinery case, I believe, it was to use an economist as a law clerk in connection with the case.

3335 The courts and the Commission have been emphasizing this economist viewpoint in connection with Section 7 cases and for this reason I think it is proper and helpful for your Honor and the Commission and the courts to have before them in their consideration of this case how

an economist looks at the issues, so long as he does not give his opinion on the actual legal issue involved in the words of the statute.

Mr. Hays: I wish to take issue on one particular point. I am sure the legislative history of Amended Section 7, and some of the decisions, I believe it is Bethlehem Steel, point out that the market concept under Amended Section 7 may be and in many cases are different from the economist's concept of market and market structure in ordinary economic thinking.

Consequently, there would be no purpose served to have an economist, with an economist's concept which the court and legislative history indicates may, or is different from the market concept under Amended Section 7, to read the record, to read the record and reach an economist's decision on a point where the Congress had no intention that the economist's concept should invade and be controlling.

3336 Mr. Walker: Precisely, and that is why all the more reason I think you are entitled to have, and the Commission is entitled to have the economist's viewpoint. It is not on the Section 7 issue as Congress and Mr. Hays have pointed out. It is looking at it from an economist's standpoint. What weight is to be given to that economist's opinion is entirely a matter for you and this Commission and the courts to decide, your Honor.

Hearing Examiner Kolb: Read that question as it was originally asked.

3337 Mr. Walker: Do you want me to read it, your Honor? I think it will come out the same way.

"Question: What is your opinion as to whether from an economist's viewpoint, the acquisition of Gentry by Consolidated has had or can reasonably be expected to have a substantial effect on competition in the production and sale of dehydrated onion and garlic?"

Hearing Examiner Kolb: The witness testified that he

was basing his opinion upon reading the record, among other things.

Mr. Walker: That is correct, your Honor.

Hearing Examiner Kolb: It would seem to me if I would permit that question to be answered, even though you limit it to an economist's view as to what the record shows, I would be abrogating my position as a judge or hearing officer in deciding this case and letting him decide for me.

The mere fact that you call him an economist instead of a lawyer or something else doesn't change the situation as to who is going to decide the case. He has a right to go into various economic features of the thing. Let me take that testimony and the help he gives me, and I can render my opinion on that.

But for him to decide for me right off the bat, 3338 I think that is not proper.

Mr. Walker: May I say, your Honor, and I surely will proceed that way, if that is the way you wish that I do—

Hearing Examiner Kolb: I think it is going a little too far on the question of deciding the case, myself.

Mr. Walker: I see your concern, your Honor. May I just suggest that that is exactly the point that was decided in these cases I referred to your Honor, that is, that the mere fact that the expert's opinion is on the issue to be decided by the trier of facts does not render the expert's opinion inadmissible, and it is still entitled to be considered, and he is not usurping the function because you are entitled to give credit to any part or none or all of the testimony.

Hearing Examiner Kolb: One of the cases cited said that the jurist knew as much as the expert did. I don't concede that as far as I am concerned. He probably knows more about the economic features.

Mr. Walker: I don't believe that that was, your Honor.

I think that the tenor of the opinions is that wherever it is in a field where the trier of facts can derive any help at all from the witness' expert opinion, that is it is in an
3339 area that is not in common knowledge and experience, then the trier of facts is entitled to have that opinion.

Hearing Examiner Kolb: Not the opinion; not have him decide the case for me.

No, you go ahead with your economic testimony. Don't ask him to decide the case first, and then explain why he decided that.

Mr. Walker: All right, your Honor.

Hearing Examiner Kolb: The objection will be sustained.

Mr. Walker: May I have, your Honor, just for the record, the routine offer of proof that if permitted to testify, he would testify that in his opinion, in answer to this question, it cannot, that is, the merger could not have the effect stated in the question.

Might I take a brief recess, your Honor.

Hearing Examiner Kolb: All right. We will recess.

(Brief recess)

3340 Hearing Examiner Kolb: You may proceed.

By Mr. Walker:

Q. Have you made an economic analysis of the evidence in this case in relation to the factors that you have described earlier in your testimony that an economist would take into consideration?

A. Yes, I have.

Q. I would like to take those factors one at a time, Dr. Mehren, and ask you to discuss them separately, and in each case I want you to state the facts that you considered in relation to that factor and the conclusions that you draw from those facts.

First, I would like to ask you what significant facts you considered in the area of number, size and market share

of the domestic competitors of dehydrated onion and garlic?

Mr. Hays: Your Honor, I wish to object. Once again we have an economist on the stand who is going to co-relate certain economic concepts with certain facts in this record —not facts that he has gone out and investigated or has knowledge of, personal knowledge of, but he is going to look at this record.

I don't know how he is going to balance out certain conflicts in the evidence, how he is going to pick and
3341 choose, but this is totally improper, your Honor. It just has no place in the trial of this case.

Mr. Walker: I don't believe that this is sound, your Honor, because it would be impossible to have an expert testify on the basis of facts outside the record.

An expert is only permitted to testify on the facts that are in the record, and if Dr. Mehren is not permitted to testify on the facts in this record, then his testimony would not be admissible.

Here, again, I have been very careful to follow your Honor's injunction and not ask the witness to give an opinion on the ultimate issue in this case. I am only asking him to consider the facts in the record and place those facts in context in his economic analysis of them, and that is all.

Mr. Hays: We do not suggest that the economist could go outside of the record for facts. We have no objection to an economist generally testifying with reference to certain economic facts, at which time they then become a part of the record.

We do object to his weighing the evidence and applying, goodness knows what part of the record to certain of his concepts. This is only, in my opinion, a rephrasing of the objectionable type of question where the Examiner sustained my objections.

3342 Mr. Walker: But he is not giving his opinion on the issue, your Honor.

Hearing Examiner Kolb: Well, is he going to make a decision as to what the facts of this case are, first, and then draw his conclusions from it?

Wouldn't that be the same as making a finding of fact and conclusions, so all I would have to do is use that?

Mr. Walker: No, your Honor, not at all. He is just stating which of the facts in this record he considers to be relevant and important in connection with his viewpoint as an economist.

He is not using those facts, following your Honor's injunction, to reach a conclusion on the issues that you will reach.

You may find that the facts that he considers as an economist and the way that he treats them has nothing to do with the issues that you want to decide. He is only looking at it from the standpoint of an economist.

It is precisely the same thing, your Honor, as having a doctor in a case testify based upon the facts in the record as to his opinion, for example, as to the cause of an injury.

If Mr. Hays' objection would prevent Dr. Mehren from
3343 testifying, that objection would prevent any doctor from testifying in any personal injury case based on the facts in the record as to what the cause of an injury was.

Surely that is no more a usurpation of the judge's function than what we are doing here, and it is done in cases, as your Honor knows, consistently; not only by doctors but by all kinds of experts.

3344 Mr. Hays: Medical opinion testimony has a well recognized place in injury cases. I know of no court which sanctions the opinion of an expert as to whether or not the defendant has been negligent in the operation of his automobile.

Now the type of testimony that we are attempting to have elicited here, I submit is absolutely analogous to having a police officer or an expert accident investigator get on the stand and state, "In my opinion the defendant was negligent."

Mr. Walker: But this just isn't so, your Honor, because he is not going to give his opinion on the ultimate issue. Negligence is the ultimate issue in that case. Effect on competition is the ultimate issue in this case, and Dr. Mehren is not going to give his opinion on that. He is merely going to testify to his economic analysis of the facts and, I submit, in a way complete[ly] analogous to a doctor's testimony on the cause of injury.

A doctor's testimony is no exception to the expert rule. It embodies the expert rule, and this is the rule that I am invoking here in relation to Dr. Mehren's testimony.

Hearing Examiner Kolb: I don't see any difference 3345 between this question and the one you asked before.

I think if you want to go into it by question and answer, so that Mr. Hays has a right to object at various points during the procedure, but ask him about reading the record and what his conclusions are is what you are doing now.

Mr. Walker: No, I am asking him to list so that Mr. Hays can properly cross examine, your Honor, the facts that he considers.

Hearing Examiner Kolb: But you are asking him to make it as a complete statement in the answer. Mr. Hays would have to break in, in the middle of the answer, in order to make an objection. It would cause a lot of confusion here, and we would never get through.

Mr. Walker: I am sorry, your Honor, without asking leading questions in relation to each fact, I don't know of any way to ask Dr. Mehren about his view, for example, of the market structure without running into this. I can ask Dr. Mehren to talk for the next half an hour about market structure and to give his economic analysis of market

structure in relation to this case. If I did that, your Honor, we would be much worse off because then Mr. Hays' burden on cross examination or on objections would be much worse.

3346 What I am trying to do is break this down into small segments so that as we go along on each one of these segments, if Mr. Hays does have an objection, then he can make it. But if I have to go to the broad general question, it is going to be much worse, your Honor.

Mr. Hays: You are still asking for a conclusion.

Hearing Examiner Kolb: You are still asking the man to decide the case for me, as far as I can see, and that I will not permit. I insist on deciding it myself.

Mr. Walker: Your Honor, I am sorry. I don't mean to, and I don't want to seem presumptuous in this area, your Honor, because I respect your right to decide this case completely, and I trust you realize in my pushing of this issue, I am not meaning at all to be disrespectful.

It is just that I sincerely do not believe, your Honor, when an economist is asked to analyze the facts that he considered in relation to, for example, market structure and what conclusions he as an economist draws in relation to market structure, so long as he does not state an opinion as to the effect upon competition, then in no way is he

3347 encroaching upon your decision.

Hearing Examiner Kolb: I will sustain the objection.

Mr. Walker: I think then that because I am at a loss at this point as to know how to proceed to get any economic testimony into the record, because under the objection that has been sustained here I cannot get into the record by other types of questions the facts that I wish, I would like to ask then that your Honor's leave to proceed as under Rule 51, I believe it is, under the Rules of Federal Procedure, and make an offer of proof by the route of actual testi-

mony, so that it will be in the record and of course the testimony will be then stricken by your Honor, and the testimony and the cross examination will stand as the record.

Hearing Examiner Kolb: No, I don't think I will permit that procedure because you have an expert here and you want him to testify to help me out in deciding this case, and I am willing to have him help me out, but not decide the case for me by the questions you are asking.

I think if you will look over your questions again, I think maybe you will reach a point where you can do that.

3348 But I don't think that we should have an offer of proof, and for me to strike all of the testimony of this man, and then I have no benefit of what he has testified to at all.

Mr. Walker: Your Honor, I apologize—

Hearing Examiner Kolb: I think it is proper testimony that can be placed in the record, but not the way you are doing it.

3349 Mr. Walker: Your Honor, I apologize for my ineptitude. I confess I am at a loss to know how I can bring out what I conceive to be the kind of analysis that an economist can be useful to your Honor except by proceeding down this route that I have started on.

Would you want me to ask the witness, your Honor, his analysis of the market structure in this case? If I ask him that, his answer is going to be doing the same sort of thing that I have asked for in relation to this question.

Hearing Examiner Kolb: Well, now you have made an analogy of a doctor's testimony in a case. You would never put a doctor on the stand and ask him has he read this case, and if so, what did the man die of?

Mr. Walker: Well, your Honor, you would ask the doctor a hypothetical question.

Hearing Examiner Kolb: Sure, you would ask him a

hypothetical question. You don't ask him to read the record and decide from the record what the situation is.

Mr. Walker: All right, your Honor. I don't see how it can work that way, your Honor. If I ask a hypotheti-
3350 cal question based upon the facts in this record that I deem to be relevant to the opinion of this expert, then I have to ask him an opinion question based upon those facts.

Hearing Examiner Kolb: While I mentioned that hypothetical question of a doctor testifying, the fact that a doctor could testify to the facts in the case, I don't think he can, and I don't think an economist can testify based on the facts in the case as he has determined them from reading the record because he may determine the facts entirely different from what I have determined them.

Mr. Walker: That is correct, your Honor.

Hearing Examiner Kolb: And if he determines the same way as I determine them, and then relates those facts to the situation, he could do that. But if he bases his opinions on one set of facts and I decide there is another set of facts involved, then we are just contrary.

Now what I want you to do, if this man has anything to help me decide this case by giving economic theories or information of that sort which would be applicable to a merger case, a conglomerate merger, as we have here, or whatever you want to call it, that is one thing. But to ask him if he has read this record and what is his conclu-
3351 sion, that is another thing.

Mr. Walker: I don't see how, your Honor, I can do anything other than do what I have done. That is, I have asked this witness his opinion as to how a conglomerate merger in the eyes of an economist can have an effect upon competition, and he has said that.

What I wish to have him do is to give then his analysis of what he considers to be the significant facts in the case

to help you in reaching the conclusion that you must reach in this area.

If I am limited to having this witness just testify about economic theory and not at all in relation to the facts in this case, then I have no further testimony that I can elicit from this witness.

He has talked about the theory that he believes in so far as economics is concerned. There is really nothing left to be said on that, your Honor. Everything else he says in this area is going to have to take into consideration the facts in the case.

Hearing Examiner Kolb: Maybe you are through then.

Mr. Walker: Beg your pardon, sir?

Hearing Examiner Kolb: Maybe you are through then.

Mr. Walker: In view of that, your Honor, and
3352 it is not that I am not trying to be helpful to you, I just don't know what I could ask that would be helpful to you in view of your ruling, since it is apparent that everything that I would want to ask would not be considered by your Honor because everything that I would ask would be based upon the facts in this case.

May I then, your Honor, have the right to proceed as under Rule 51, I believe it is?

Hearing Examiner Kolb: Off the record.

(Discussion off the record.)

Hearing Examiner Kolb: Let's take a recess until 1:00 o'clock, and you think it over in the meantime.

Mr. Walker: All right.

• • •

3353–3357 [Respondent's Exhibits 418-421 were offered and received in evidence.]

• • •

3357 Mr. Walker: Now turning to Dean E. T. Grether, who will be an expert economist to be called by re-

spondent on tomorrow, I would like at this time to read into the record the qualifications of Dean Grether intended to support and provide the foundation for his expert testimony.

Dean Grether is the Dean of the Graduate School of Business Administration and the Dean of the School of Business Administration, Chairman of the Department of Business Administration, and Flood Professor of Economics, all at the University of California.

His education consists of a Bachelor of Arts Degree in Economics from the University of Nebraska in 1922; a Master's Degree in Economics from the University of California in 1923; and a Doctor's Degree, Doctor of Philosophy, in Economics at the University of California in 1924.

3358 I will, if I may, read into the record by handing to the reporter a sheet which lists the academic positions held by Dean Grether throughout his career.

Just in brief summary, your Honor, he started as a Teaching Fellow at the University of California in 1922, and then went through various associate professor and assistant professor positions at a number of universities, and ended up with the positions that he holds at the present time.

• • •

Mr. Hays: I don't question that he would testify in accordance with what Mr. Walker has stated and what is shown on that document, but there is a question as to whether or not he is qualified to testify as an expert on the subject that he is going to testify about.

3359 Now I don't know what that is until after he testifies.

• • •

Mr. Walker: I would like to have the specific positions

in the record, your Honor, so I will just hand it to the reporter.

Hearing Examiner Kolb: Very well.

(The document reads as follows:

"Academic Positions:

1922–1925 Teaching Fellow in Economics and Instructor in Economics, University of California

1925–1926 Assistant Professor of Advertising and Sales Management, University of Nebraska

3360 1925–1939 Assistant Professor and Associate Professor of Economics, University of California

1934–1936 Acting Dean, College of Commerce, University of California

1938–1939 Visiting Professor of Marketing, University of Pennsylvania

1939– Flood Professor of Economics, University of California

1941–1943 Dean, College of Commerce, University of California

1941– Chairman, Department of Business Administration, University of California

1943– Dean, School of Business Administration, University of California

1952–1954 Director, Institute of Industrial Relations, University of California

Spring 1953 Visiting Lecturer, Stockholm School of Economics, Stockholm, Sweden

1955– Dean, Graduate School of Business Administration, University of California

This list does not include various positions held with universities within the United States during summer sessions and special lecture series.")

3361 Mr. Walker: Then I would like to state that Dean Grether has received the following special honors, awards and degrees:

In 1922, Phi Beta Kappa at the University of Nebraska; 1924, Beta Gamma Sigma at the University of California. I understand that Beta Gamma Sigma is the honorary scholarship society in the field of economics, rather in the field of business.

From 1946 to 1949, he was president of the American Association of Collegiate Schools of Business.

In 1950 he received an honorary doctor of laws degree from the University of Nebraska.

In 1953 he was elected to the Hall of Fame of the Boston Conference on Distribution where 122 awards to deceased and living persons in ten nations were given.

In 1955 he received the Paul D. Converse Award at the University of Illinois for contributions to the theory of marketing.

In 1959 he received an honorary degree, doctor of economics, at the Stockholm School of Economics in Stockholm, Sweden.

3362 Dean Grether was a member of the Attorney General's National Committee to study the antitrust laws in 1953 to 1955. He has also been an economic consultant to the Department of Justice in the years 1957 and 1958.

I would like to place in the record, by handing to the reporter, a list of the memberships or positions in professional marketing and economic organizations that Dean Grether has held.

(The document reads as follows:

"Memberships or Positions in Professional Marketing and Economic Organizations:

Member: American Economic Association
Western Economic Association
American Marketing Association
San Francisco Chapter-American Marketing Association

American Association of Collegiate Schools of Business

Pacific Coast Social Science Research Council

1939–1943 Managing Editor and Editor-in-Chief, Journal of Marketing

1941–1950 Member and Chairman (twice), of the Pacific Coast Committee on Price Policy of the Social Science Research Council

3363 1948–1950 President, American Association of Collegiate Schools of Business

1952–1953 Vice President, American Marketing Association

1952–1953 Chairman, Western Exploratory Committee on Regional Economic Analysis, Social Science Research Council

1958–present Member, Managing Board, California Management Review.")

In the area of government and public service, Dean Grether has had a number of positions:

From 1934 to 1935 he was a consultant to the Review Division of the National Recovery Administration in Washington.

During the war he was a special consultant to the Office of Price Administration. He was also a public panel member of the National War Labor Board in the Twelfth Region.

Since 1947 he has been chairman of the Industrial Development Committee of the California State Chamber of Commerce. From 1947 to 1955 he was member and secretary of the San Francisco World Trade Center Authority.

From 1947 to 1952, he was a consultant with the Brookings Institution in Washington, D.C.

3364 From 1948 to 1949 he was the director of economic management for the National Security Resources Authority in Washington.

In 1949, he was the general chairman of Governor Earl Warren's Conference on Employment.

From 1951 to 1953 he was the chairman of Governor Warren's Study Commission on Unemployment Insurance.

Since 1959 he has been the chairman of the Technical Advisory Committee of the Economic Development Agency of the State of California, and also since 1959 he has been a member of the Educational Advisory Board of the Committee for Economic Development in New York City.

There are other positions in the governmental area which Dean Grether has held which I will not detail.

That completes the qualification facts regarding Dean Grether.

Hearing Examiner Kolb: I understand, Mr. Hays, you stipulate that if the Dean were called, he would so testify?

Mr. Hays: Yes, sir.

• • •

3366 Chicago, Illinois
March 10, 1961

3367 PROCEEDINGS

• • •

GEORGE L. MEHREN, heretofore called as a witness for the Respondent and, having been previously duly sworn, testified further as follows:

Direct Examination—Continued

By Mr. Walker:

Q. Dr. Mehren, you testified yesterday that in terms of economical size a conglomerate merger can affect competition only if it has the same attributes as a horizontal or vertical merger or both,—that is, ultimately eliminating a competitor or foreclosing a formerly independent buyer-seller market relationship.

How would you as an economist analyze a market to determine whether those effects would ultimately occur?

A. As I indicated yesterday, I would have to consider four major attributes of the market. First the market structure; second, market dimension; third, market behavior or performance; and fourth the actual operating attributes of the firms in the market.

Q. I am sorry, Doctor, I didn't get the last part
3368 of that answer.

A. The actual operations of the companies that are involved in the merger in the market at issue.

Q. Why would you consider market structure in analyzing a conglomerate merger?

A. Well, market structure as I define it is one index of the relative economic strength of the companies in the market to determine whether the company involved in the merger has or can get control of the market so as to enjoy the advantages, whatever they may be, associated with a lessened degree of competition.

Q. What are the principal factors that you would consider in connection with market structure, Doctor?

A. There are three main factors to look at. The first is the number and the size of the market shares of the firms of the market. The second is the degree of product standardization among them. And the third is the ease of entry into production and sale.

3369 Q. How would you appraise the factor of number, size and market shares in relation to market structure?

A. First the distribution of the number and size of companies in a market is one major determinant of major economic strength among them, and as to market shares, if the acquired company is or has been the market leader, then the danger of the lessening of competition is that much greater.

On the other hand, if after the merger the relative posi-

tion of the acquired company has fallen, this to an economist is an index of the absence of any disproportionate strength in the acquired company. Also if the acquired company is one of two or more having equal or nearly equal market shares, it then becomes most difficult to avail of any advantages of lessening competition.

Q. How would you appraise products in relation to market structure?

A. If the acquired firm has substantially different products, the danger of market control is higher because that firm then could either threaten to foreclose its products to its customers or it could use the different products as a basis for branding, or it could use the different products as a basis for advertising and promotion.

3370 But if all of the products of the companies in the market are just about the same, then there is a very much lesser danger of market control of any type conferred through any method.

Then where changes in products occur consistently that are quickly duplicated by the competition in the market, there is little opportunity for any of the product advantages I have just mentioned.

Q. How would you appraise the factor of entry and exit in relation to market structure?

A. If there are limitations of finance, of access to raw materials, of access to equipment, of patents, of know-how, and access to distribution channels or promotion expense, then the ability to hold any advantage that might accrue is substantially heightened.

On the other hand, if there is a market history of easy entry into the industry, this shows that there aren't and have not been any such limitations, and it also shows that nobody in the industry could possibly have kept any advantages over a sustained period resulting from a lessening of competition by any means whatever.

Now if the companies leaving the market did so for reasons that aren't really related to the market itself,
3371 then the fact of that exit or that departure from the industry has nothing to do really with market structure in it.

Finally, if their potential entrance or seriously considering coming into the industry, and there are any of the entry limitations of the type I have just described, there really isn't motivation to get or any capacity to keep any advantage that might come from the lessening of competition.

3372 Q. How controlling a factor would market structure be in analyzing the effect of a conglomerate merger?

A. Well, I would say this: If there aren't any dominant firms in the industry, and if there is no collusion among them, if there isn't any sustained product differences among the firms in the industry, and if entry is easy or there is no entry control, then no market control can be obtained or maintained by any method whatever.

Q. Dr. Mehren, why would you consider market dimension in analyzing a conglomerate merger?

A. Really to determine whether the market is big enough so that the acquired company couldn't possibly control its customers or its suppliers by any means to get a differential advantage over its competitors.

Q. What are the principal factors that you would consider in connection with market dimension?

A. The first factor one looks at in defining a market in economics is the definition of the products in the market itself and any substitute products. The next thing you do is to look at the number and the kind and the strengths, the location of the users of the product, who are the customers of the market at issue. Then you look at the other direction, at the number and kind and strength and location of

3373 raw material suppliers.

Finally you look at the trends in the size of the markets which are at issue.

Q. How would you appraise the factor of product substitutability in relation to market dimension?

A. If in the viewpoint of the acquired company's customers there are effective substitutes, the company's capacity for control over its customers is impaired.

This is true to some degree even if the products aren't physically or even completely substitutable because such products can still affect the acquired company because at least some of the merged company's customers have alternative sources of supply.

Q. How would you appraise the users of the products in relation to market dimension?

A. Well, if the users of the products or the customers of the acquired company are large and numerous and powerful and broadly distributed geographically and of various types, and if the competitors of the acquired company have reasonably easy access to all of such users, then any form of market control becomes most difficult to obtain.

Q. How would you appraise the factor of raw ma-
3374 terial suppliers in relation to market dimension?

A. Well, if raw material suppliers are amply available to the acquired company and its competitors, then this one avenue to obtain market control is closed.

Q. How would you appraise the factor of trends in the size of the acquired company's market in relation to market dimension?

A. Well, if over time the market is expanding and can be expected to continue to expand, especially if there is easy entry, this again limits market power.

3375 Q. How controlling a factor would market dimension be in analyzing a conglomerate merger, Dr. Mehren?

A. Well, if the merged company's market, that one in which it sells, is widespread and expanding, and if the merged company can't control the users or customers to whom it sells, and if the acquired company can't control its raw material supplies, generally it has neither the power nor even the motivation to try to obtain any major of market control.

Q. Why would you evaluate market behavior and performance in analyzing a conglomerate merger?

A. Because by looking at the actual behavior of the market and the firms in the market, first you can determine the vigor of the existing competition prevailing in that market and, second, you can determine the methods of competition that are used or that are possible of use by the firms in the market.

Q. What are the principal factors that you would consider in connection with market behavior and performance?

A. I would look at two things. I would look at the actual competitive practices prevailing and the feasible or possible methods of competition that could prevail in procurement activities, in production activities and merchandising activities.

3376 Q. Where some time has elapsed since the merger, how would you appraise actual and possible competitive methods in procurement?

A. If after the merger there is a record of continuous competitive innovation in procurement methods, and there has been short run leadership by different firms in innovations, and if such short run leadership has been quickly duplicated, this is another index of vigorous competition in the procurement phase of the firm's activities.

Now again if there is an ample supply of raw material and if there is easy and equal access by the firms in the industry to procurement methods, again it becomes most difficult to achieve any market advantage through procurement.

Q. Where some time has elapsed since the merger, how would you appraise actual and possible competitive methods in the area of production?

A. I would say this, that if after a substantial time has elapsed since the acquisition, and there are still no sustained differences among the firms in the market in products or in total product lines, in the size of their production units, or the methods they use in production, then no market control can be achieved by those means.

3377 I would say also that if there is a history of continuous competitive innovation in products and in production methods with quick competitive duplication with various firms leading at different times, this is another index of vigorous competition in the production area.

But I would also say that if in addition to that there be a history of continuous research and development in products, in product lines, in production methods, by some or all of the competitors in the market, this also is an index of a competitive industry.

Q. Where some time has elapsed since the merger, how would you appraise actual and possible competitive methods in the area of merchandising?

3378 A. Well, I would say first that if in the market that is involved customers are gained and lost primarily on the basis of variations among them in quality and service and price, this is an index of an effectively competitive sales market.

I would say if the product is sold as an ingredient to technically competent purchasers who establish their own specifications and tests, then sales competition must be restricted to the effectively competitive bases of quality and service and price.

In specification items which are sold as ingredients, merchandising competition simply can't be based on branding or advertising. Then if all companies have had or have at

any time access to the same sales methods and facilities, it is difficult for any single company to get or to keep any significant advantage in the area of merchandising.

Finally if there have been continuous and competitive innovations in merchandising and again with quick competitive duplication, and again with varying leadership among the firms in the market, this also is another index of a competitive merchandising market.

Q. Now, Dr. Mehren, in analyzing a conglomerate
3379 merger where some time has elapsed since the merger, how controlling a factor would market behavior and importance be?

A. If there is a market in which there has been an acquisition and after a period of time no firm has gotten any advantage compared to its competitors, any sustained advantage compared to its competitors in the methods of procuring raw materials, in the methods of producing their products, or in the methods of selling them, then during that period there cannot have been any market control.

If during that period there are innovations or other advantages from any source to any one of these firms in any one of the categories of production or procurement or marketing, and those advantages could be offset by advantages to other firms in the same or in different categories, then no lessening of competition can occur that way either.

Finally if, as a matter of fact, over the period that has elapsed since the merger, sales competition does rest primarily rest [sic] on price and service and quality, then there just can't have been any market control.

3380 Q. What are the principal factors that you would consider in connection with actual operations of the specific companies involved in a conglomerate merger?

A. I would look at two major elements. Again first I would want to find out whether the acquiring company could

give—whether it was possible for them to give any advantages to the acquired firm.

If I found out that the acquiring company could give any advantages to the acquired firm, then I would want to find out the second thing, whether the acquired firm had used or can use the advantages that might conceivably be conferred upon it by the acquiring firm.

Q. How would you appraise the possibility of giving or using advantages that could result from a merger?

A. First if the acquiring company for any reason whatever can't give any advantages in the specific operations of procurement, production or merchandising by the acquired firm, then there can't be any effect on competition resulting from the merger.

And if the acquiring firm could give some advantages to the acquired company, there still wouldn't be any substantial effect upon competition in the acquired company's market if other companies quickly and effectively duplicate

advantages like that, and if the structure of the mar-
3381 ket, the competitive conditions prevailing in the
market in which the acquired company operates are such, this might possibly preclude and might often preclude, might very often preclude the effective use of any advantages that the acquired company could confer on it.

3382 Q. Now, would you evaluate economically the possibility of substantial funds being made available to the acquired firm as a result of a conglomerate merger?

A. Again I would ask two broad questions.

I would want to find out whether the acquiring company could reasonably do that. In short, have they got the money or do they have a very much better use for their money than to give it to the acquired company.

The second thing I would do is to look at the acquired company's capacity to make effective use of such funds, and if funds coming from the acquiring company couldn't

give the acquired company any better location or any different scale of plant or different methods of operation, then there wouldn't be any advantage in either side to giving such money to the acquired company.

Finally, if the conditions in the market in which the acquired company operates are fundamentally competitive, and especially if that is capacity for quick and easy entry into production of the product, this would preclude even short run price cutting through financial aid by the acquiring company.

Then if in the industry the acquired firm can earn its own finances, it doesn't need subsidy from the
3383 acquiring firm, and if over the period of time since the merger the record indicates it has, or the history indicates it has earned its own way, this is an index that it hasn't been subsidized.

At the end, if the acquired company's competitors have access to regular credit sources, if there is ease of entry into the industry, under those conditions there is no real basis to expect any long run advantage from subsidization of the acquired company financially by the acquiring company.

3384 Q. Dr. Mehren, how would you evaluate the economic effect of a conglomerate merger where customers of the acquired company are suppliers to the acquiring company?

A. Well, obviously this provides a possibility for reciprocity. There can't be any substantial economic effect unless the exercise of reciprocity results in the foreclosure of a substantial market to competitors of the acquired company in exactly the same sense as would a straight vertical merger.

Now, if reciprocity is merely one of a large number of other merchandising devices and can be met by the use of one or more of those merchandising devices, then rec-

iprocity does not have any substantial effect on competitive structure.

To assess the effects, the first thing I would want to do would be to evaluate the market power of the acquiring company in comparison to the market power of its suppliers who are also customers of the acquired company.

Then I would want to look at the buying bases and the methods of the acquiring company's suppliers who are also members of the acquired company to see whether reciprocity in any real magnitude is precluded by their basis
3385 of procurement and their methods of procurement.

I would want to evaluate the alternatives of procurement of the acquired company's products, the alternatives for sale of the suppliers' products, to see if that supplier will or is required to respond to reciprocity.

I would want to evaluate the need of the acquiring company for the products of its suppliers which could be a limit in controlling their purchasing decisions through reciprocity. I would want to evaluate whether if reciprocity is exercised, the consequent restriction of suppliers to the acquiring company to those firms who are also customers of the acquired company would severely interfere with the normal operations of the acquiring company.

Then I would want to evaluate whether the buying methods, the bases, of the acquiring company itself would permit it effectively to exercise reciprocity of this sort.

* * *

3386 E. T. GRETHER was thereupon called as a witness on behalf of the respondent, and, being first duly sworn, was examined and testified as follows:

Mr. Walker: Your Honor, I wonder if just for purposes of consistency in the record, I wonder if the record should show that if Dean Grether were asked his opinion whether,

from the economist's standpoint, based on the record in this case and his education and experience, the acquisition of Gentry by Consolidated Foods Corporation has had or can be reasonably expected to have a substantial effect on competition in the market consisting of the production and sale of dehydrated onion and garlic, the question would be objected to and the objection would be sustained.

Hearing Examiner Kolb: You ask me if that would happen?

Mr. Walker: Yes, your Honor.

Mr. Hays: I would so object.

Hearing Examiner Kolb: All right. I so sustain the objection.

Mr. Walker: May I have an offer of proof, your Honor, that if the question were permitted, and if the question were answered, Dean Grether would state that in his
3387 opinion the acquisition of Gentry by Consolidated Foods Corporation has not had and cannot be reasonably expected to have a substantial effect on competition in the market consisting of the production and sale of dehydrated onion and garlic.

Mr. Hays: This is the same offer of proof, I believe, that the Examiner refused to permit in the instance of Dr. Mehren's testimony.

Mr. Walker: That is not correct, Mr. Hays. The Hearing Examiner did not refuse to permit an offer of proof on this question in relation to Dr. Mehren's testimony.

The offer of proof was made and accepted.

Hearing Examiner Kolb: No, I didn't tell you that I would accept an offer of proof as long as the doctor could go ahead and testify as to circumstances.

Mr. Walker: I am sorry. I didn't hear that.

Hearing Examiner Kolb: I said I would permit him to go ahead and testify to circumstances which would eliminate any necessity for an offer of proof, which he has done.

Mr. Walker: I am sorry, your Honor, I misunderstood you. I thought that in any event that I would be entitled to have the offer of proof as to what his testimony
3388 would be in answer to the question that you sustained the objection to.

Hearing Examiner Kolb: I think you are limited to the questions you can ask and make an offer of proof on. I think you have to stand on the basis of whether or not the question was proper.

If I committed error in refusing to let you testify, it is error. What the doctor would have said, naturally, I don't think is proper as an offer of proof.

Mr. Walker: I am sorry. I didn't understand that you were refusing my offer of proof.

Hearing Examiner Kolb: On that question. It is simply a matter of sustaining an objection to a question. I am not preventing you from going into the matter as fully as you want to, but not on the basis you are.

Just because you disagree with me on the method of procedure doesn't mean that you can demand an offer of proof and put everything in the record.

Mr. Walker: Your Honor, perhaps I misapprehend the function of an offer of proof. I only understand the function of the offer of proof to be so that the reviewing authority in the event that the case goes up on appeal will know what the testimony would have been, so that they can evaluate the situation.

3389 The offer of proof does not become evidence. It is not part of the record in any event, whether the ruling of the Hearing Examiner is sustained or overruled, the offer of proof still never becomes a part of the record.

It is just for the enlightenment of the reviewing authorities so that they will know what would have been brought out.

Hearing Examiner Kolb: Well, I think the Court could assume when you ask that question you expect to have a favorable answer, and I don't see why an offer of proof yes or no would make any difference.

Mr. Walker: I think that is probably true, but so there will be no question about it, I like to put in an offer of proof whenever a question is excluded by a ruling. It is just a matter of routine.

Hearing Examiner Kolb: What is your idea, Mr. Hays? Are you objecting?

Mr. Hays: I certainly would object to an offer of proof in this area because it places the opposition, that is, the Government in this case, the opposition to the offer of proof to making a counter offer of proof either by way of cross examination or one thing and another.

3390 Mr. Walker: Well, your Honor, I really think Mr. Hays doesn't understand the function of an offer of proof. Excuse me, Mr. Hays, may I finish? I don't mean that to sound perhaps the way that it did.

An offer of proof never becomes evidence. If the reviewing authority should decide that the initial ruling is incorrect and that the proof that I wanted to put in should have gone in, the offer of proof doesn't go into the record. There is then a remand, at which time I put my proof in and you have your right of cross examination.

So far as I know, there is no such animal as a counter-offer of proof. The offer of proof is intended solely for the purpose of letting a reviewing authority know what would have gone in to help them decide the issue. The case goes back if the ruling is wrong. The offer of proof never goes into the record, no matter what the decision by the reviewing authority.

Mr. Hays: That is all right with me, your Honor. We have trouble in the offer-of-proof area. I remember particularly in Automatic Canteen case where there were

offers and counter offers of proof, and I believe there
3391 was considerable thinking at the time that those offers of proof constituted evidence.

Now, if it is perfectly clear that this offer of proof is not and never will be evidence, and if there is error, it will be remanded for hearing, that is fine for me. Make an offer of proof.

Mr. Walker: Your Honor, if I have been speaking in ignorance of the practice of the Federal Trade Commission, then I surely apologize, but it has always been my understanding that an offer of proof never is and never can be evidence in a case.

Hearing Examiner Kolb: Well, I think the record shows what the doctor would testify to and everything else now, so you might as well put it in there. Is that all you want now?

Mr. Walker: No, your Honor, I have some questions I wish to ask of the Dean.

Direct Examination

By Mr. Walker:

Q. Dean, you have heard Dr. Mehren's testimony as to the factors and theory that would be applicable in analyzing the competitive effect of a conglomerate merger. Do you agree with that testimony?

A. I agree with that testimony.

Q. Is there anything that you would wish to add, Dean, in order to make your own point of view and
3392 conclusion entirely clear in this area in which Dr. Mehren testified?

A. I have been listening, as you indicated, to the testimony. I should like to make merely two very brief comments.

First, with respect to the issue of reciprocity or the endeavor to capitalize upon reciprocal relationships. This endeavor, this practice, is, I suppose, as old as trade and commerce.

In my teaching in the field of marketing, I have often had to try to explain to my students, and I have used the old aphorism sometimes of "You scratch my back; I will scratch your back."

To many people in business this seems only ordinary business courtesy, to patronize your customer, say, if he patronizes you, and I think there is very little that one can say about that.

3393 Now the real issue is whether this relatively simple, ordinary practice can somehow become controlled and become a general force of some sort and become the basis for foreclosing the market.

This, in my opinion, is a very difficult thing to accomplish, if not entirely impossible. That is, to capitalize on these relationships in such a way as to allow this to pervert the normal trading relations and become a strong enduring force.

Q. Are there any other points that you wish to make, Dean?

A. In the second place, I think I should like perhaps to make a point about the issue of the definition of market and the influence of substitutionary products and their relationships.

In a market as defined, there are, of course, the direct competitive substitute products, but there are also indirect and transmitted forces and relationships that are not in the market as closely defined.

Now these products, substitutionary compensatory forces, are very important in trying to appraise both the incentive to endeavor to build enduring market power or the likelihood of success.

Our economy and marketing system has within it an enormously great potential force for compensatory

3394 adjustments and for the offsetting forces that tend to

interfere both for the motivation for and endeavor to hold strong positions of market power.

• • •

3395 GEORGE L. MEHREN, heretofore called as a witness for the Respondent and, having been previously duly sworn, testified further as follows:

Direct Examination—Continued

3396 By Mr. Walker:

Q. Dr. Mehren, assume if you will a conglomerate merger where the products sold by all companies in the market of the acquired company are homogeneous. What is your opinion as to whether the acquired company can obtain a competitive advantage based upon product differentiation?

A. There is no possibility to obtain any advantage on product differentiation, if by definition in your assumption there isn't any product differentiation.

• • •

By Mr. Walker:

Q. Dr. Mehren, I would like to have you assume, please, the following facts:

That there has been a conglomerate merger where the customers of the acquired firm are suppliers to the acquiring firm, and that some years of time have elapsed since the time of the merger;

That there is no fact showing any coercive reciprocity in connection with the relationship that I have described;

3397 That the facts show that the existence of the reciprocity relationship obtains a hearing for the products of the acquired firm and obtains some business for the acquired firm, and quality, service and price are equal;

That there is some indication of possible loss of sales to the acquired firm because it has potential or actual cus-

tomers who compete with other units of the acquiring firm where the number of incidents of a reciprocity practice among the customers of the acquired firm and the suppliers of the acquiring firm are relatively small in number, where the customers of the acquired firm rely to a great degree upon specifications and testing of products, and that where there has been some apparent gain of business through the exercise of reciprocity, the gain did not always endure and was frequently lost and the customers of the acquired firm utilized such purchasing practices—

A. Pardon me, the customers of the acquired firm?

Q. The customers of the acquired firm.

A. Who are suppliers to the acquiring firm?

Q. To the acquiring firm.

A. Yes. I see.

Q. —utilized such purchasing practices in many instances out of a desire for or insistence upon two
3398 sources of supply, and where the buying organization of the acquiring firm is not centrally organized and does not provide for control over the ingredients of the products which it purchases, and where the facts indicate that the competitors of the acquired firm have been able to effectively meet the practice of reciprocity as a competitive device through the use of normal competitive devices in other areas in those instances where reciprocity was used.

Based upon those assumptions, what is your opinion as to whether as a result of the practice of reciprocity there can be from the standpoint of an economist a substantial effect upon competition in the market in which the acquired company sells?

Mr. Hays: Objection.

By rephrasing the question in a hypothetical manner, Mr. Walker has, I respectfully submit, failed to overcome the fact that this type of testimony is in the area of ulti-

mate fact and is within the province of the Hearing Examiner and the Commission, and it is, in my opinion, objectionable on the same grounds that my previous objection which was sustained was made, that is, that it invades the province of the Hearing Examiner and the Commission and attempts to substitute the judgment of the economist
3399 for the Hearing Examiner and the Commission and has no purpose in this record.

3400 Hearing Examiner Kolb: Do you want to answer Mr. Hays?

Mr. Walker: No, your Honor. I think I have already made a lengthy argument on this question of the objection raised by Mr. Hays.

Hearing Examiner Kolb: I believe you stated off the record that you were desirous of raising the issue of the question in such a way as to get a resolving of the controversy.

Mr. Walker: Yes, your Honor.

Hearing Examiner Kolb: So I will give it to you.

I sustain the objection for the following reasons: The question involves a weighing of the evidence and resolving of factual issues which are controversial in the record and requires the witness to take over the decision of the case which is an invasion of the province of the Hearing Examiner in deciding the factual and legal issues.

Mr. Walker: Your Honor, off the record?

Hearing Examiner Kolb: Off the record.

(Discussion off the record.)

(Brief recess.)

Hearing Examiner Kolb: On the record.

3401 In order to straighten out the record and give the respondent opportunity to present his case as far as it is proper, I will permit the respondent to proceed with this witness having him testify as to matters concerned based upon his examination of the record, the

transcripts and exhibits, and upon his professional education and experience in the food industry, subject to the right of counsel in support of the complaint to make any objections he may wish to as the individual question is asked.

By Mr. Walker:

Q. Dr. Mehren, have you analyzed the record in this case in relation to the four major factors that you testified yesterday should be considered in connection with an economist's evaluation of the economic effect of a conglomerate merger?

A. I have.

Q. First, Dr. Mehren, I would like to ask you what facts you considered in the area of number, size and market share of the domestic competitors of dehydrated onion and garlic?

A. Gentry has three direct competitors presently, and the number of indirect competitors such as importers and manufacturers of such products as mixed seasonings used by food manufacturers.

Basic Vegetable, which I shall call Basic, is ap-
3402 parently larger than the Gentry Division in assets and in sales.

Puccinelli Packing Company which I shall call Puccinelli and Gilroy Foods, Incorporated are apparently smaller than Gentry and there have been substantial changes in market shares since 1951. Since that time Basic replaced Gentry as leader in garlic and Basic remained the leader in onion, and Puccinelli largely held his own, and Gentry lost ground in garlic.

Q. What are the significant facts that you considered in relation to the products involved in the market?

A. It seems that the products are largely homogeneous. There have been short term leadership in the development of new products or new packs or new forms of products.

Those patterns of leadership have shifted among the companies in the industry and there has been quick duplication of development of new products or product packs.

Q. What facts did you consider in relation to entry and exit?

A. First the only company leaving the market was Simplot and it did so for reasons completely unrelated to competitive conditions in the dehydrated onion and garlic market except insofar as the competitive conditions
3403 in the dehydrated onion and garlic market were compared to the apparently more profitable conditions in potato processing.

I also considered that Simplot is a potential re-entrant, apparently equipped with full facilities and under no major impediment to re-entry if and when it chooses.

Then there was one new company, Gilroy Foods, Incorporated, who has entered the market since the acquisition of Gentry and there is indication that McCormick & Company has apparently purchased controlling interest in Gilroy Foods.

3404 There seems to be a number of potential entrants and one of those is General Foods.

There seemed to be no significant limitation in the areas of finance or raw materials or equipment of know-how or patents with respect to entry into domestic production of dehydrated onion and garlic.

Q. Now you have testified, Dr. Mehren, that these three areas, that is, number, size, market share of competitors, the products and entry-exit all relate to market structure.

What conclusions did you reach in relation to market structure?

Mr. Hays: I object.

Mr. Walker: The answer if permitted, your Honor, will show you that there is here no usurpation of your function in testifying as to conclusions. The witness will not testify

as to the effect upon competition or substantial lessening of competition in the language of Section 7. These will be factual conclusions that in no wise are the issues at stake in this case so far as the ultimate issues are concerned.

Hearing Examiner Kolb: I will overrule the objec-
3405 tion subject to a motion to strike after the witness has given his answer.

By Mr. Walker:

Q. You may proceed, Dr. Mehren.

A. Based on the facts I have already stated with respect to number of firms, size of firms and market shares of firms, the facts I stated with respect to product characteristics and the facts I stated with respect to the entry conditions that have prevailed in the past decade, I would conclude that neither Gentry nor any other company dominates the market for dehydrated onion and garlic.

I would conclude further that neither Gentry nor any other company in the dehydrated onion and garlic market has obtained any sustained advantage from product innovation or product differentiation.

I would say that neither Gentry nor any other company has any control over entry into the production and sale of these products in the United States.

Finally I would say that since 1951 there has been no trend toward domination or concentration in this market.

Q. The next major factor that you mentioned is market dimension which you testified included such
3406 items as product substitutability, geography of the market, and a number of other things. What are the significant facts that you considered in relation to product substitutability?

A. The significant facts about product substitutability as one of the major factors to defining the size and other dimensions of the market is first that there is, as I noted,

long-run, high-level substitutability among the products of the firms in the industry.

Then in addition there is some degree of substitutability with respect to imported dehydrated onion and garlic. There is a lesser but still some substitutability in some outlets and by some users at least with respect to raw onion and raw garlic, and this is particularly apparent as to small processors and institutional users and housewives.

Q. What are the significant facts that you considered in relation to the customers of the firms that sell in this market?

A. The customers of all the companies in the market are spread throughout the entire United States. Generally all of the companies sell to the same types of users and the customers of these companies or the users of domestic
3407 dehydrated onion and garlic include some very large firms in the food industry.

Q. What facts did you consider in relation to trends in the size of the market?

A. The expansion of the past ten years in all segments of this market indicate that this is and promises in the future to be a vigorously expanding market.

Q. What were the significant facts that you considered in relation to the raw material supply?

A. There is an ample supply with the exception of very short run shortages in onions, of raw onion and garlic both in the United States and other countries.

Q. Based on these facts that you have stated with reference to market dimension, what conclusion did you reach with regard to market dimension?

3408 Mr. Hays: Objection.

Hearing Examiner Kolb: Read the question again.

(Question read)

Mr. Walker: There will be no testimony here, your Honor, on any of the ultimate issues.

Hearing Examiner Kolb: I will overrule the objection subject to a motion to strike.

By the Witness:

A. I conclude first that it is a big and growing market with respect to the products of the dehydrators, the products of their customers and of the suppliers.

I conclude it is a fundamentally competitive market in the sense that it has grown over this decade and that there is little reasonable possibility of any control over raw material supply or customers by Gentry; that because of the nature and expected expansion of the market, there is little chance of market dominance by any firm.

By Mr. Walker:

Q. Let's take next the factor of procurement as an element of market behavior.

What facts did you consider in relation to procurement in the area of market behavior?

A. There have been continuous competitive innovations in procurement by various firms both before and since
3409 the merger plus short run leadership in these innovations and nearly always associated with a quick duplication of those innovations by other firms in the industry.

There is an ample supply of raw material. There is easy and equal access to raw material procurement methods. The methods are similar as to all the firms in the market.

Q. What facts did you consider in relation to production as an element of market behavior?

A. First there are few long run or sustained differences in products or in production methods among the firms in the market at issue.

There have been continuous competitive innovations in products and methods just as in procurement. Different firms have led in production methods innovations at different times, and again there have been quick competitive

duplications of innovations in production.

There has been a pattern of continuous research and development programs in production methods and in product lines also by all firms in the industry.

Q. What facts would you consider in relation to merchandising as an element of market behavior?

A. First merchandising competition has been based primarily on quality and service and for given classes of quality and service on price.

3410 There has been very little real branding in this industry and little branding of products is possible here.

There has been little extensive promotion in this industry and little such promotion is possible here.

Essentially what is involved is a type of specification sale to technically competent buyers. Now the technically competent buyers in general test either the ingredients or the products into which the dehydrated onion and garlic products go as ingredients.

Basic and Gentry have about the same sales organization and about the same sales methods and facilities. All of the firms in the industry have access to essentially the same sales methods and facilities through alternative channels if necessary.

Again there has been continuous and quite clearly competitive innovations in methods and in facilities and in selling activities generally.

There has also been quick competitive duplication of such innovations. Also general in the industry has been a set of sales contracts which the trade themselves have designated as one-sided.

3411 Q. Based on these facts which you have stated in relation to market behavior, what conclusion did you reach in relation to market behavior?

Mr. Hays: Objection.

Hearing Examiner Kolb: The objection will be overruled subject to a motion to strike.

By the Witness:

A. I conclude that the total market behavior in actual practice is fundamentally competitive in the supply, the production and the sales area.

There is virtually no competition based on branding or promotion. The history of the industry clearly shows business lost and regained on many occasions by all of the competitors in the market.

There is a very good record of innovations in all the important activities of the firms in this industry, and there hasn't been any consistent or sustained leadership in the use or development of major methods of competing.

By Mr. Walker:

Q. Dr. Mehren, what facts would you consider in relation to the actual operations of the firms that are involved in the merger?

A. I would say that there is no history or present indication that Consolidated Foods has any substantial
3412 or significant procurement advantages that it could confer on the Gentry Division.

I would say further there is no evidence that Consolidated has outside the Gentry Division any equipment or facilities that could give any competitive advantage to Gentry in its production processes. There are no significant merchandising advantages that Consolidated, other than the Gentry Division, could give to Gentry, and all of the merchandising methods available to Gentry are available to Gentry's competitors.

There are only two conceivable advantages that it might be argued could possibly be provided by Consolidated and these are the availability of money and reciprocity.

Q. Based on the facts that you have stated in relation to the operations of the firms involved in the merger, what conclusion would you reach with relation to that factor?

Mr. Hays: Objection.

Hearing Examiner Kolb: Are you getting now into the issues —

Mr. Walker: No, your Honor. I am sorry. Would you strike that last question, please?

No, your Honor, I am not. I am sorry. I over-
3413 looked one additional fact that is necessary to the witness' conclusion here.

By Mr. Walker:

Q. What other facts or conclusions would you take into consideration in relation to the actual enterprise operations of the firms that are involved in the merger?

A. To follow your last question, there are really two issues involved. One is whether Consolidated Foods can confer any real operating benefits on Gentry, and if they can't confer any real and quite specific benefits in the procurement activities, the production activities and the sales activities, differential or unique to Gentry, not subject to quick duplication by others in the dehydrating industry, then no conceivable advantage could flow to Gentry and no conceivable impact upon competitive structure could be expected.

But there is a second side to this, too. Conceivably Consolidated could give specific resources which would have some or could possibly have some effect upon these activities of Gentry.

There is another question involved here and that is whether Gentry in its own operations and Gentry taken in competition with the other people in the dehydrated onion
and garlic industry is in a position to be able to use the
3414 things that Consolidated might be able to give them.

Q. Do you have any facts in mind, Dr. Mehren, that you considered with relation to the last factors that you mentioned?

A. The history of this industry in the past decade in-

dicates that Gentry really doesn't have any substantially different production, procurement or merchandising activities which over any sustained period have been different from those of the competition.

The facts also seem to indicate that Gentry's expansion along with the rest of that industry could properly be attributed to the efficiency of an able local management which appears to have had considerable autonomy in all of its activities.

The facts seem to indicate that Gentry could have earned and did in fact earn over the past 10 years sufficient net return on its own and internally to finance its expansion.

The facts seem to indicate that prior to 1951 Gentry had access to outside sources of finance for expansion and seemed to have done quite well.

3415 I find in the study of the record no specific operating advantages that could have been conferred by Consolidated other than the two possible exceptions I indicated, and similarly I find nowhere in this record any specific references to benefits in size or method of buying products, raw materials, size or method of doing business, the instruments of sale which were first unique to Gentry and uniquely attributable to the merger, and without those things there could have been no effect upon competitive structure.

Hearing Examiner Kolb: Just a minute now. That last answer is exactly what I have been complaining about.

Mr. Walker: The "no effect upon competitive structure"?

Hearing Examiner Kolb: There is a definite finding of fact there and he has also made a conclusion of law that it has no effect upon competition.

I am going to strike the entire answer.

Mr. Walker: May I voluntarily strike the conclusion that

is the effect upon competitive structure? I don't believe that the rest of the answer went any further.

3416 Hearing Examiner Kolb: The first part of the answer was a repetition for about the third time of the same thing we have had here. The middle of it was a finding of fact which I should make and not the witness. The third or the last part was a conclusion, a legal conclusion as to the competitive effect, and so forth.

So you can strike the whole answer without affecting the case in the least.

By Mr. Walker:

Q. Dr. Mehren, you have mentioned the possibility of finances being made available by Consolidated to Gentry as being a possible economic advantage flowing from the merger. What facts did you consider in this record in evaluating that as a possible advantage?

The Witness: May I have the question again?

(Question read.)

By the Witness:

A. First there seemed to be no market facts that indicate any significant benefit from financial subsidy which could be expected through better locations, different scale of plant or different methods of production, and the

3417 record indicates that easy entry would make short run price-cutting through financial subsidy quite ineffective. Gentry grew in sales and profits on its own before 1951 and since 1951 the evidence indicates that Gentry has earned enough to finance its own expansion.

While there are superficial differences in credit sources among its competitors, Basic apparently had an ample credit line and all companies had and have finances to sustain and to expand their operations.

Basic has maintained a dominant position since 1951 and has increased its sales.

Mr. Walker: Your Honor, I believe you will probably

find the next question objectionable and I will state it and wait.

By Mr. Walker:

Q. You have mentioned, Dr. Mehren, that there is the existence of the factor of reciprocity as a conceivable or possible economic advantage that might be raised in connection with this merger. Would you please state whether and to what extent in your opinion as an economist the practice of reciprocity can, based on the record in this case, have any effect upon competition in the sale of dehydrated onion and garlic?

3418 A. It is my opinion that reciprocity cannot have any substantial effect on competition unless it has the effect of foreclosing a substantial market to Gentry's competitors in the same sense as a vertical merger.

3419 It is my opinion that where reciprocity is merely a single factor, one of several or many affecting sales of dehydrated onion and garlic, and where it can be met and overcome by other ordinary competitive practices, then I don't see how it can have any substantial economic effect.

The facts in this case indicate that economically speaking the practice of reciprocity has not had and cannot have the effect of foreclosing a substantial market to Gentry's competitors.

Q. Would you please state the significant facts on which you base this conclusion?

A. First there is no first-hand evidence of any coercive reciprocity. At most the reciprocity gets a hearing and may get some business for Gentry when quality and service and price are equal.

There is some indication of possible loss to Gentry of sales to customers who compete with other Consolidated Foods units.

The number of incidents of reciprocity practices in-

dicated by the record and the amount of business involved where reciprocity was admitted are relatively small. Reciprocity is often difficult to exercise because buyers rely upon specifications and testing of products. Even
3420 where there has been some apparent gain of business through reciprocity, the gain did not always endure and was frequently lost.

The use of such buying policies as two suppliers inhibits the use of reciprocity.

Consolidated's buying organization and its purchasing practices provide little leverage for effective reciprocity.

The record indicates that there are many reasons why Consolidated's suppliers often could not and would not respond to reciprocity.

The record indicates that Gentry's competitors have been able effectively to meet reciprocity as a competitive device through the use of normal competitive devices in other areas in the instances where reciprocity was used.

Mr. Hays: I move to strike that answer, your Honor. This is exactly the thing that we have contended from the beginning that this witness was put on the stand to do.

He has taken a record, he hasn't seen any witnesses, he hasn't observed their demeanor, but he has read through and come to a conclusion, a retained conclusion as to what the facts of record are with reference to reciprocity.
3421 This is the most shameful abuse that I have ever seen of an expert witness and expert testimony.

I move to strike it.

Mr. Walker: May I just say in response, your Honor, that of course the Hearing Examiner will make the decision as to whether the witnesses are to be believed or not and the Hearing Examiner will make the decision as to whether some of the facts stated by this economist are true or not, and I do not believe that the mere fact that the Hearing Examiner may well disagree with some of the facts as

the expert economist just looks at them in the record in any way detracts from his right to say that that is what he found in the record.

He does not say that that is true, he says that this is what he found in the record.

The factual decision, of course, is your Honor's.

Hearing Examiner Kolb: He has demonstrated very definitely the reason why I took the position I did. I think this last question was horrible, and when you write your brief you had better put his name on with yours.

I will sustain the objection.

Mr. Hays: I have a motion to strike, your Honor.

3422 Hearing Examiner Kolb: The motion will be granted.

The answer will be stricken in its entirety.

• • •

3423 GEORGE L. MEHREN, heretofore called as a witness for the Respondent and, having been previously first duly sworn, testified further as follows:

Cross Examination

• • •

3443 Q. Now in making your evaluation of reciprocity, in so far as the reciprocity is concerned to which you testified on direct examination, is that reciprocity found only in the record in this case, that is, the transcript and the exhibits, or are you relying on your experience of reciprocity by actually observing it or taking part in it or something else?

• • •

3446 The Witness: Do you mean, if I may, Mr. Hays, the specific types of reciprocity involving Consolidated Foods' units other than Gentry and Gentry?

3447 Mr. Hays: Yes, sir.

The Witness: Quite truthfully, I know of no other reciprocity situation in the American food economy or those parts of it with which I am reasonably familiar that has all of the attributes of this one, and consequently the conclusions I reached were based largely upon the record, and at least I didn't draw consciously upon experience with other industries or enterprises.

By Mr. Hays:

Q. Now in reading the record did you find that there were certain conflicts in the testimony?

A. Yes.

Q. And you resolved those conflicts in your own mind?

A. No, I did not.

Q. What did you do when you found a conflict in the testimony?

A. I tried to say, "If this had occurred, what would be the result?"

This is the first step I took, Mr. Hays, which was to try to determine what the effect would be, what effect it would have if the allegations of reciprocity had occurred. Then quite carefully I went through the rest of the record and taking at face value the statements made, and, as an

3448 economist but not a lawyer, attempting to assess the magnitude of the business involved in the allegations.

Then I put into the context all of the other merchandising techniques involved with these products and tried to relate them to all of the production techniques involved, the procurement techniques and then tried to come up with an estimate of the degree to which in fact or in projection this instrument could give a power to Gentry not available or not susceptible of countering by Gentry's competitors.

Q. You did not observe the witnesses when they testified?

A. I did not, sir.

Q. You did not see their demeanor?

A. I did not, sir.

Q. Did you believe completely the testimony of Mr. Sparling?

A. It seemed to me even prior to the discussions in this court room that the appraisal of credibility was surely not my function. I have no competence in that area. So that I took the statements of Mr. Sparling and the statements of the other major witness[es] who testified with respect to reciprocal relationships and their possible results and
3449 tried to place them in context with call reports on both sides and with the total transcript to get as best I could an economist's appraisal of what happened, the mechanism that was used, the duration of efforts, the result, large or small, that may have been achieved, the duration of that, and what other elements in the total market for dehydrated onions and garlic might be relevant to getting a substantial advantage through this and holding it after you got it.

Q. Did you believe completely and give all possible weight in your evaluation to the testimony of Mr. Rethier?

A. It is very difficult for me as it may even be for counsel in a record of this size specifically to remember the statements of everybody who testified or specifically to specify the contents of a numbered exhibit.

Q. But you just didn't believe automatically everything everybody said, did you?

A. The question of what I believed with respect to matters not relevant to attempting to assess the likely impact of the merger did not appear to be to me my function but rather the Examiner's function.

• • •

3482 Washington, D.C.
May 8, 1961

3483 PROCEEDINGS

• • •

W. ERNEST ISSEL was called as a witness for the Commission and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Hays:

Q. Will you state your full name, sir?

A. My name is William Ernest Issel — I-s-s-e-l.

Q. State your home address.

A. 5917 Meadow Wood Road, Baltimore.

Q. State where you are employed.

A. I am employed with McCormick Company in Baltimore, Maryland.

Q. And the address is 414 Light Street?

A. 414 Light Street.

Q. In what capacity are you employed by McCormick Co.?

A. I am vice president and treasurer of the company and also a director.

Q. How long have you been employed in those capacities?

A. Well, there are three capacities there. I have been a director for eight years, and I have been treasurer
3484 for about eight years, and a vice president for about four years.

Q. Describe generally the business that McCormick and Company is engaged in and the type of products that it handles.

A. McCormick and Company is probably the oldest company in its business in the United States, and certainly the largest. Our principal products are spices, herbs, and seasonings of various kinds, flavoring extracts, tea, condiments

of various kinds; and many related products thereto which wind up in a different form than in the food products in some cases.

We import these products from all over the world, we process them, clean them, select them, package them and distribute them through retail grocery stores and also to the institutional trade.

Q. Is there any business relationship between McCormick and Company and Gilroy Foods, Inc.?

A. Yes. Recently we acquired the entire outstanding capital stock of Gilroy Foods, Inc.

Q. When was that acquisition made?

A. That was approximately completed about the end of March. I was going to say a date but I was afraid it might be Sunday, but it was the end of March.

Q. 1961?

3485 A. 1961.

Q. Describe what you did, if anything, toward consummating this purchase.

A. When you refer to you, you mean the company or myself?

Q. You personally, sir.

A. Well, I actively negotiated for the acquisition of this company and was responsible for fact-finding to the end of making a recommendation to my Board of Directors for the conclusion of the acquisition.

* * *

Q. Mr. Issel, I show you Commission's Exhibit for identification 228 and ask you to state what you know about that document.

A. In the normal course of investigating with the idea of concluding an acquisition one must examine the assets and the condition of the company which you are acquiring and in that connection we had a Haskins and Sells who

are our certified public accounting firm make an exam-
3486 ination of Gilroy Foods, Inc. affairs, as of January 31, 1961, which was at the end of a 11-month period of operations. And they submitted this balance sheet with their comments which were to be accepted by both parties in arriving at certain conclusions as to values with regard to the negotiations.

Mr. Walker: No objection.

Hearing Examiner Kolb: There being no objection, the document will be received in evidence as Commission's Exhibit 228.

Mr. Hays: Your Honor, I am going to with your permission change the numbers because my copy is not bound, it will be 228-A through F.

We offer Commission's Exhibit for identification 228-A through F.

Hearing Examiner Kolb: It will be received in evidence as Commission's Exhibit 228-A through F.

• • •

3487 *Cross Examination*

By Mr. Walker:

Q. Mr. Issel, on the first page of the notes to this balance sheet, that's 228-D, directing your attention to the bottom of the page and the last sentence, "The salability of the excess quantities of garlic powder in normal trade channels is dependent upon the success of contemplated changes in processing and expansion of distribution facilities."

Do you see that sentence, sir? It's at the bottom of that page you have right in front of you, the last sentence on the page.

A. Yes.

Q. What are the contemplated changes in distribution facilities?

A. These are the accountants', Haskins and Sells, words

in there, and what I have to say is what I think that they meant. That is this: Our company has many contacts with manufacturing firms throughout the U. S. and throughout the world, that is food processing firms, probably more so than most companies because we have been very active in association work, our human relations programs, our employer relations and other activities, and actually I think that we enjoy an entree to companies greater than most companies in the food business, and through these contacts and through the development of quality products and the opportunity to work with research people in various companies, we feel that we will be able to develop many,
3488 many, many new channels of distribution and outlets for products of this type.

Q. By "this type" you mean products made by Gilroy Foods?

A. Garlic powder.

Q. What are the approximate annual sales of McCormick and Company, Mr. Issel?

A. McCormick and Company's annual sales last year were forty-nine million, some-odd-dollars—about $49,000,000.

Q. How will Gilroy Foods be operated as part of McCormick?

A. It is our intention to operate Gilroy Foods as a wholly-owned subsidiary and let it continue on as a growing company. It is not our thought to make it a captive supplier at all.

Q. Would you please state, Mr. Issel, the motivation of McCormick in acquiring a processor of dehydrated onion and garlic?

A. Our company is, we feel, quite alert to growth and development, and we have set a pattern to do just that by expansion from within and also, I say within, I mean from the development of products within our company through our own research and also growth from without through

acquisition of one form or another.

As I stated earlier, nearly all of our raw materials or the raw materials for our products are imported and we have constantly been on the lookout for a product or a group of products where the source of the raw material would be domestic in origin as a balance to the busi-
3489 ness. We had the experience during World War II of considerable shortages and many of the imported materials being cut off and we had to shift overnight to other foreign products—I say foreign in the sense that we didn't know anything about them, produced them during World War II, and we felt it would be to our advantage to try to develop products, some products where the raw materials were domestic in origin.

Also it fitted in with our business, and the garlic and onion business in the dehydrated form since World War II has grown quite rapidly. We perhaps have been the leaders in the packaging of the products and in the distribution thereof through the grocery store and to the institutional trade in the U. S. and we are only just a small segment. There are many of these products that go into food processing in place of the fresh product, and that is constantly growing also, and we actually have been investigating the dehydration business for about five years. We ourselves were in the dehydrating business during World War II when we dehydrated potatoes in Maine and we didn't have a quality product so we eventually got out of the business, but we never lost interest in dehydration and we had made several overtures in an attempt to get into the business previously and I think due to the fact that those situations were known is why our company was able to act when Gilroy was presented to us, so to speak, in late December.

3490 We feel that not only is the onion and garlic but also all vegetable products of various kinds is a new

challenging field and will be a new way of developing products for retail distribution and also for the institutional activity, and also they are all of local origin, domestic in origin, and our interest was already developed, our board of directors let's say, had been previously sold and conditioned to the fact that this was something we wanted to get into if we could possibly do it, and when the opportunity presented itself, it went through the normal investigation to determine whether or not this was for us or whether it was worth the values and so forth, and we acted quite rapidly.

3491 Q. I gather from your answers, Mr. Issel, that it is not McCormick's plan that McCormick will use the entire output of dehydrated onion and garlic of Gilroy Foods, is that right?

A. No, that's not our plan at all. As a matter of fact, their facilities are not even adequate to take care of our entire requirements. It will be just a minor part, it would amount to considerable tonnage but it would still be quite small compared to our overall usage of the product.

Q. And it is your expectation that Gilroy Foods will sell dehydrated onion and garlic to companies other than McCormick?

A. That is right.

Q. What types of customers do you expect that Gilroy Foods will be selling to?

A. Food processors, I presume that's descriptive enough without mentioning names; even people that are in competition with McCormick and Company today, and other products the likes of which I don't even know today because we expect to have our research working with people to develop usage for these products.

Q. Well, you expect that Gilroy Foods will sell to distributors?

A. We expect to sell to distributors, yes, sir.

Q. And repackers?

A. Repackers.

3492 Q. Institutional users?

A. Institutional users and food processors.

Q. Who do you consider or who have you considered, Mr. Issel, will be the competitors of Gilroy Foods in selling this dehydrated onion and garlic?

A. Well, based on my limited knowledge, because we have just acquired this in March, I would consider their competitors would be the Basic Vegetable Company, Gentry, and Puccinelli, another dehydrating company in California. And the California Vegetable Concentrates Company and perhaps others as the products become more prominent in use.

Q. You mentioned California Vegetable Concentrates Company. They are a part of General Foods, aren't they, Mr. Issel?

A. I believe that's a wholly-owned subsidiary of General Foods.

Q. Are they in onion dehydration?

A. Trade rumors has it and also I saw an article in a trade magazine the other day that they had bought 40 acres of land in El Centro, California, and are building an onion dehydrating plant there right now.

Q. General Foods has publicly announced this, have they?

A. I saw it in a trade magazine the other day.

Q. How do you plan to market the dehydrated onion and garlic that will be produced by Gilroy Foods and sold to customers other than McCormick?

3493 A. Well, there will be sales groups from Gilroy Foods, they will be directly on their payroll, numbering I don't know how many men at this time, and there will be brokers appointed, and to the extent that McCormick's institutional sales force can consult with them or help them,

why, they will certainly do the door opening in that regard and how that is going to work, I don't know, as to whether our institutional sales force will be selling the account or whether they will just introduce them to the accounts, we haven't determined that at this time.

Q. At the time of the acquisition of Gilroy Foods by McCormick did Gilroy have any existing plans that you know of of obtaining additional capitalization?

A. Yes. Gilroy had applied to the Commission of Corporations in California for permission to sell an additional 25,000 shares of their stock which would have amounted to around $300,000, and they had listed the people who they were going to sell it to and they were also trying to interest McCormick in it as to whether we would want to be a 50-50 ownership and have this $300,000 worth of stock or whether they were going to sell it to some of the then present stockholders and some additional people, and they had both avenues of approach.

3494 Q. Why did they choose the avenue of selling to McCormick Co. totally rather than going through with this public financing plan?

A. Well, I presume that it was at our insistence that once we examined the situation here and saw how much was going to be required to be brought to this company to build it that we preferred not to be in a fifty-fifty position, that we preferred to have 100 per cent ownership so that any effort that we put into this we were actually going to benefit therefrom rather than putting the same amount of effort into it and only benefiting fifty per cent, so to speak.

Q. Do you have any information, Mr. Issel, as to why the owners of Gilroy decided to sell rather than remain in business and go through with this financing plan?

A. Well, the only information I have is what some of the principal stockholders told me, and that was the fact that they were, all the original stockholders of Gilroy were

all growers and I believe there are 24 of them, and they banded together to form this company several years ago, I guess it was in 1958 or 1959, around in there somewhere, and then they needed, some of the men wanted to get out and they sold out to some of the remaining stockholders and finally wound up with about 12 or 15 stockholders, three or four of which owned a considerable amount of the stock, and they were quite wealthy men in their
3495 own right and could have come up with the cash if they had to but they sort of felt that they were growers and ranchers and that is what they should remain rather than to get into this business that required manufacturing and additional know-how and most of all, ability to sell and distribute the product.

They felt that they were short-sighted when they started this business in the fact that they had not concerned themselves too much with the sale and distribution of the product.

They wanted someone else, that was why the fifty-fifty situation, that had that ability or know-how to add to their already wealthy store of technical knowledge and know-how.

Mr. Walker: That is all.

Redirect Examination

By Mr. Hays:

Q. Does McCormick and Company plan to use any of the output of the Gilroy Foods, Inc.?

A. Yes, we intend to use a portion of it.

As I stated earlier, their production facilities are limited and we are going to see that Gilroy's customers are supplied before we interfere with their production facilities.

In general the policy has been set by the actual quantities have not been arrived at. Any customers that
3496 Gilroy had, Gilroy is going to continue to sell them

and increase their sales and try to get new customers, and I suppose what is left on, if any is left on, why, McCormick will take.

Bear in mind also that this business is an expanding business. The use of [illegible] products are going ahead tremendously and it could be that if Gilroy is successful with their organization that we will just be a small customer, very small.

Q. You plan to increase the production of dehydrated onion and garlic this year?

A. Well, we have that in mind, but an expansion program in a business like this requires considerable fixed capital investment and a company like McCormick or any other successful company does not go advancing funds or permitting a wholly owned subsidiary to throw capital around to the extent of saying, yes, we are going to do it, without a pretty careful study as to how it fits in, potentials and everything else that goes with it, so I can't answer that question today. By September 1 I probably could, but not today.

• • •

3497 ROBERT G. GALLO was called as a witness and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Hays:

Q. Will you state your full name, sir?

A. My name is Robert George Gallo.

Q. Are you here pursuant to a subpoena, Mr. Gallo?

A. Yes, sir, I am.

Q. Will you turn that subpoena over to the Hearing Examiner?

(Document handed to the Examiner.)

Q. Will you state your home address, Mr. Gallo?

A. My home address is 353 Shea Drive, New Milford, New Jersey.

Q. Where are you employed, Mr. Gallo?

A. I am employed by Basic Vegetable Products, out of the Plainfield, New Jersey office.

Q. How long have you been employed by Basic?

3498 A. I have been with Basic since June 1 of 1952.

Q. In what capacity are you presently employed by Basic?

A. In sales.

Q. And how long have you been employed as a salesman?

A. Since 1952.

Q. Will you describe the sales territory that you first had when you came with Basic and any changes in that territory between that time and the present?

A. When I first started my territory was New York City plus parts of New Jersey; I guess the classification would be metropolitan New York.

I remained in New York as my sole territory through 1953. In March of 1953 the New York State territory was added which covered Buffalo, Rochester, Utica, Albany, New York, and other New York State cities. Then later in 1953 I also was asked to cover Washington, D. C., Baltimore, Eastern Shore, Maryland, and south Jersey.

In 1957 we hired a new man to—rather I think it was 1956 we hired a new man to take over the Baltimore territory, that would be Baltimore, Washington, and Eastern Shore, which relieved me of those duties.

Then in 1958 we hired a man out of Boston that took my New York State territory. Since about 1959, I guess, I have been in Metropolitan New York, once again, just covering the five boroughs of New York plus New

3499 Jersey as far south as Trenton.

Q. Is your answer complete?

A. Yes, sir.

Q. In the course of your duties as a salesman for Basic did you ever call upon Les Pommiers Cannery?

A. Yes, I did, sir.

Q. During what period of time did you call upon that company?

A. I called there from 1953 through the present day, that is still part of my territory. That is one of the few cities that I visit that is out of New York. However, my firm defines that as the New York area.

Q. During that period who did you contact at that company?

A. I contacted a Mr. Henri Rethier who is the owner of the firm.

Q. During that time did Mr. Rethier ever make any statements to you that there was some relationship between his purchases of dehydrated onion and garlic from Gentry and his sales to Consolidated?

A. Yes, he did, sir. In calling on Mr. Rethier, our business started to slip with him about 1956, and in being concerned over the account I gave the account a little more attention than I had in the past, and I found out that Mr. Rethier's business was falling off, he had been losing some accounts himself which accounted for part of the loss of onion that we had formerly sold to him.

3500

Then Mr. Rethier had told me that as time passed his biggest customer on soup, I think the largest item that he makes is onion soup and consomme, Mr. Rethier had told me that his largest customer was Consolidated Wholesale Grocery Company, of Chicago, and that because he was selling Consolidated the Gentry representative made that point of the sales to Consolidated and said that they should be buying onion from him and Mr. Rethier told me that this was basically one of the reasons why our purchases had fallen off with him.

Q. Is your answer complete?

A. Yes, sir.

Q. During the course of your duties as a salesman did you ever call upon Moore and Company?

A. Yes, I did.

Q. During what period of time did you call upon that company?

A. I called on Moore and Company from the time I started with Basic, actually in June of 1952 through the present day.

Q. Who did you contact at that company attempting to sell them dehydrated onion or garlic?

A. When I first started they were located in New
3501 York City, I think it was at Beakman Street.

I contacted a Mr. Palestrini. Then I think about 1956 they moved to New Jersey, to Newark, New Jersey, and a new man was named purchasing agent, the man's name was James Reynolds.

Mr. Reynolds left, a Miss Rabinowitz took over the job, Miss Rabinowitz left and a Mr. LaSalle took over the job after Miss Rabinowitz and the present buyer there is Mr. Lawrence.

Q. Did you ever contact Mr. Castelli?

A. I never actually contacted him directly, but I have met with him on my visits to the company over the years. I have seen him and I have talked with him.

Q. Did Mr. Castelli ever make any statement to the effect that there was a relationship between his purchases of dehydrated onion and garlic from Gentry and his sales to Consolidated?

A. No, sir.

Q. Did any of the people you contacted make such a statement?

A. Yes, they did.

Q. Who, which one?

A. Miss Rabinowitz in 1958, I believe it was, had told me that we were going to lose business because Moore and Company were going to sell soups to Consolidated and that this would result in Gentry obtaining part of the business.

3502 Consequently, I kept after the account and to my knowledge I don't believe we sold them anything during 1959 at all.

Q. Did anyone else ever make such a statement at Moore and Company?

A. No, sir.

Q. Have you ever talked to Miss Rabinowitz about anything at any time other than when she was on the premises of Moore and Company?

A. No, sir, I did not.

Q. Mr. Gallo, I show you Commission's Exhibit 167 and ask you if that is your sales report?

(Handing document to the witness.)

Is this your sales report?

A. Yes, sir, it is.

Q. Will you examine it, please, and tell me whether it is correct, the statements contained therein are true and correct?

A. Yes, sir; it is true and correct.

Q. I show you Commission's Exhibit 169 and ask you if that is your signature appearing thereon?

(Handing document to the witness.)

A. Yes, it is my signature.

Q. Did you make this report?

A. Yes, I did.

3503 Q. Are the statements thereon true and correct?

A. Yes, sir, they are.

Q. I show you Commission's Exhibit 208.

(Handing document to the witness.)

A. That is my report.
Q. Are the statements thereon true and correct?
A. Yes, they are.

• • •

3504 *Cross Examination*

By Mr. Walker:

Q. What is the usual routine that you follow, Mr. Gallo, when you call on a customer who has bought or may buy dehydrated onion or garlic?

A. Well, sir, if the customer is a new one, one that I'm not selling, I would first find out what they are making and to see how our products would help that firm. For instance, if I was approaching a soup concern I would buy a sample of the product, see what size onion was being used in it, and to start my sales talk with the Purchasing Agent or, the Production Manager along those lines.

3505 Now, if it's an account that I have been selling to it is more or less a routine matter whereby you are selling them a certain amount of dried garlic or onion and you just follow up to see if everything is going along fine, if you are making shipments to them, you see them once a year for contract purposes, and you just follow through in general like you would selling any firm.

Q. Do you from time to time talk to laboratory personnel at these companies?

A. Yes, I do, sir.

Q. And I believe you mentioned that you also talked to production people?

A. That is right, sir.

Q. Do you find that you have to have a good technical grasp of your products and their uses in order to deal with these people?

A. I would say so, sir.

Q. Do you have any rule of thumb that you apply to

your accounts, Mr. Gallo, in this sense, that more important ones you call on more frequently and less important ones you call on less frequently?

A. I would say that would be the general pattern that I would follow.

Q. Do you divide them up? I mean, you call some of them big customers or little customers. Do you have
3506 them graded specifically or is this just a matter of judgment that you apply from time to time?

A. Well, it's a matter of judgment with myself. I do have customers lined up, ones that have to be seen every ten days, for instance; others that I see once per month, and so forth and so on.

Q. How many calls do you make in a normal day, Mr. Gallo?

A. Well, it will vary. With some firms, with some larger purchasers you do see the Purchasing Agent and you might see production or you might check with laboratory. On calls like that they are quite time-consuming and, of course, you may make few of them. I would say that over the years my calls average out eight per day; some days more, some days less, depending upon whom I'm seeing for the day.

Q. And, of course, with the smaller customers, I suppose you can make more calls during the day because you don't have to spend as much time there; is that right?

A. No, with a smaller customer that's true in some cases; with larger customers at some times, it is just a few moments, but it varies, whether the account is small or large actually doesn't have too much bearing on your time. It's what you are doing for the account at the present time.

Q. Well, you try, don't you, in the interest of economy of your time to spend lesser amounts of time with the people that don't buy very much or can't buy very much,

3507 isn't that right? Lesser as opposed to the big customers, I mean.

A. In a way that's quite true.

Q. Do you have a practice, Mr. Gallo, in preparing your call reports? How do you go about this?

A. I make my call reports every evening when I finish the day's work. I do that almost every night. There are times, of course, where I don't make them that night but I make the notes for the calls and follow through the following day. For the better part I do make the sales report to my office every night.

Q. But you don't always do this, is that right?

A. That is right.

Q. How do you do it? Do you dictate or do you write?

A. I type them myself.

Q. You type them yourself? You have a typewriter, where, at the office or at your home?

A. At my home, sir.

Q. Let's look at Commission's Exhibit 167, Mr. Gallo. You testified generally in response to Mr. Hays' question that the statements contained in this call report are true; is that right?

A. That is right, sir.

Q. By that you mean that Mr. Rethier told you at some time that he is trying to sell his onion soup to Reid-Murdoch of Chicago, who are owned by Consolidated Grocers,

3508 that's what Mr. Rethier said to you; is that right?

A. That is right.

3509 Q. Going on, that is he, Mr. Rethier said that no sooner had he mailed you samples and prices when the Gentry salesman Max Shapiro called on him and told him he would have to buy their onions if he expected to sell Reid-Murdoch, and so forth.

Is that what he said to you?

A. That is right, sir.

Q. Well, on your direct examination, Mr. Gallo, earlier,

before you got to this call report, you said that Mr. Rethier was selling Consolidated, the Gentry salesman made that point and said they should be buying onion from him. Those were your words, sir.

Now, which was it?

Did Mr. Rethier say to you that Max Shapiro said they would have to buy their onions or they should buy their onions, or do you remember which?

A. I remember. May I look this report over, please?

Q. Certainly.

A. Sir, I am certain that this report is absolutely true, and that Mr. Rethier told me that Max Shapiro said they would have to buy their onions.

Q. Why are you certain that this is the exact words?

A. Because I have known Mr. Rethier since I have been selling the New York State territory and he is the type person that a normal person just would not forget, 3510 and I can remember specifically that he did make this statement to me, sir.

Q. He said to you that in his opinion, as he says here, if he does get this account he will have to buy Gentry's onion for their onion soup?

A. Yes, sir.

Q. Did he say that to you on more than one occasion or just one occasion?

A. Well, to my knowledge on this one occasion he definitely made this statement, but the subject of his selling to Consolidated was discussed on many [illegible]its that I made with him.

Q. Where did he make this statement to you?

A. This statement was made in the kitchen of Mr. Rethier's home.

Q. On what date?

A. On September 17, 1954.

Q. Do you remember that meeting?

A. Do I remember the meeting on that particular day, sir?

Q. Yes.

A. No, I don't.

Q. Who else did you call on on that day?

A. I would not be accurate if I gave any names of my other calls on that particular day.

3511 Q. You don't remember?

A. No, sir.

Q. Did you have other customers in this area that you usually called at about the same time you called on Les Pommiers?

A. Yes, I did.

Q. What were those companies?

A. I called on the Hudson River State Hospital, they are in Poughkeepsie, New York; I called on the Forest Packing Company in Kingston. I think those are the only other accounts in that immediate area that I would have called on on that particular day.

Q. Did you call on any of those accounts on September 17, 1954?

A. I would say that I did to my knowledge because as a rule I never made a trip directly to see Mr. Rethier and I would say in calling on Mr. Rethier on that particular day that I did see those other people in the area.

Q. What were your conversations with the other people?

A. Well, when I visited the Hudson River Valley Hospital my conversation, if I did see them on that particular day, I called on a Mr. Elgrid, I believe, were in general the usage of dried onions in his plant. They feed quite a staff up there at the Hudson River State Hospital, and they consume a large quantity of onion.

Q. Do you remember having that conversation on
3512 September 17, 1954?

A. No, sir, I do not.

Q. You don't remember any conversation you had on September 17, 1954, do you?

A. No, however, if I may add that seeing that I had been with Mr. Rethier on the 17th I know that I talked with Mr. Rethier on the 17th and that I had probably called on these other people.

Q. Let's look at Commission's Exhibit 169, sir.

Upon what, Mr. Gallo, did you base the statement that appears in the first sentence of this memorandum: "I have two accounts in my territory that were pressured into buying from Gentry"?

Let's take first Les Pommiers.

A. Would you repeat the question?

(Question read.)

A. This was based upon what Mr. Rethier had told me, sir.

Q. That is based on the statement that appears in Commission's Exhibit 157?

A. 167 is the sales report that we were discussing?

Q. Yes, sir.

A. Based on that, yes, sir.

Q. What is the basis for the statement that Moore and Company was pressured into buying from Gentry?

A. Well, the purchasing agent had told me that 3513 Moore and Company were going to buy from Gentry because of the fact that they were going to sell Consolidated Grocers their line of soups.

Q. And this is based on your conversation with Miss Rabinowitz; is that right?

A. That is right, sir.

Q. Did Miss Rabinowitz tell you that Moore and Company had been pressured to buying from Gentry?

A. The word "pressured" was never used by Miss Rabinowitz—

Q. That word is your own conclusion, then, is that right?

A. That is right.

Q. Excuse me, I have the answer. Mr. Hays can bring out further explanation if he wants to.

What was Miss Rabinowitz's position?

A. I assumed she was purchasing agent because she did place orders for onion with me. What her actual title was other than purchasing agent, I don't know. To my knowledge she was the purchasing agent for the Moore and Company.

Q. And upon what do you base that assumption as you have called it?

A. On the fact that when I first started selling them I had seen Mr. Palestrini and then Mr. Reynolds and Miss Rabinowitz had assumed the job that Mr. Reynolds had and I just assumed that she was the purchasing agent.

3514 Q. You were, of course, disappointed when you received this information from Miss Rabinowitz that you might lose some business; is that right?

A. Yes, sir.

Q. What did you do about it?

A. Well, I did not do anything about it really, there was nothing I could do about it except just to keep up my contacts there.

I kept calling on them.

I do think that the following year, 1959, we did not sell them anything at all, but despite the fact that we had not sold them I kept on calling, calling on the firm, and, of course, I had told them that Basic had a superior product to what they were using, the normal sales approach, and I just tried to make every general effort that I could to sell the merchandise.

Q. You did subsequently sell them; is that correct?

A. Yes, sir; we have since 1958 sold them again; yes, sir, we have.

Q. The pressure was not very effective, was it, Mr. Gallo?

A. Well, sir, that account was one of the first ones that I had really started by myself and I had built them up to a nice volume, in my estimation a nice volume of onion, and as I say, I did lose the account over a year, and in sales
3515 you just hate to lose anybody, so I just did not want to lose them for a year.

I don't want to lose anybody for a month.

3516 Q. I understand. Did you ever make any effort to talk to Mr. Castelli about this?

A. Yes, I did.

Q. Did you talk to him about it?

A. No, sir.

Q. Why not?

A. I couldn't see Mr. Castelli.

Q. He wouldn't see you?

A. Well, it's not that he wouldn't see me, many times I imagine when I asked to see him he was out of the office and I just didn't see him. I would like to add, though, that I have seen and I have talked with him since that time up until the present time.

Q. What year was this that you lost that business that you testified to? This is with Moore and Company.

A. To my knowledge it was 1959, sir, that we had lost the business.

Q. You didn't lose any before then, is that right, for this reason that you have given?

A. I don't believe that we did. I think that 1959 was the year that we had lost the business.

Q. During what period of time was Miss Rabinowitz giving orders and contacted by you at this company?

A. I would say that she placed orders with us from 1957, 1958. I think I have answered the question.

3517 Q. Was she still there in '59?

A. Gee, they have had so many changes. I think she might have been there part of '59, but I am not sure. I wouldn't really make the statement that she was there in '59.

Q. She was succeeded by Mr. LaSalle?

A. I believe that's the gentleman's name.

Q. Would you spell that, please?

A. I believe it was L-a S-a-l-l-e.

Now, sir, the name might have been D-e S-a-l-l-e.

Q. Whichever it is did he act as a buyer or in some capacity in your purchasing during this period 1959 when you had difficulty in selling Moore and Company?

A. I would say that he was the man that I visited to sell onion to Moore during 1959.

Q. And this was during the period when you were, as you have put it, unable to sell Moore and Company; is that right?

A. Yes, sir, I would say so.

Q. Did you ever discuss this matter of Consolidated Foods Corporation with Mr. LaSalle?

A. No, sir, I didn't. Not to my knowledge.

Q. Did you at that time know anything about the quantities of goods or the types of goods that Moore and Company was supposedly selling to Consolidated Foods Corporation?

A. Would you please repeat that, sir?

(The reporter read the question.)

3518 The Witness: No, sir, I didn't know the quantities and I assume if they were selling to Consolidated that they were selling soups which is the—I am quite sure Moore only makes soups and it would be soups they were selling.

By Mr. Walker:

Q. Your only information about this is what you ob-

tained from Miss Rabinowitz in that conversation that you described?

A. That is right, sir.

Q. And you never made any more effort to find out anything more about the nature or the extent of sales by Moore and Company to Consolidated?

A. No, sir, I found out nothing more that I can recall. To my knowledge I don't believe that the matter was discussed further.

Q. Were you ever asked by your home office, Mr. Gallo, to submit written reports of any instances of what has been called reciprocity.

A. Sir, to my knowledge my firm has never sent me anything definite along those lines, but, however, the sales manager of Basic is through to New York, he makes a tour of all of the various branches that we have I would say four times a year, and I know that I have discussed the matter with him. That would be Mr. Sparling. I don't recall my firm sending me a direct notice to report these things as such.

Q. You don't remember receiving a letter from
3519 Mr. Hume which said, "Please report in detail any instances where you encounter any relationship between Consolidated and Gentry in connection with your sales efforts"?

A. Sir, I might have received a copy of that letter—if there was a letter. I couldn't swear that I ever received a letter, although I might have, but I will say this reciprocity was discussed with me and Bob Sparling, our sales manager.

Q. Do you always believe everything you are told by a purchasing agent, Mr. Gallo?

A. No, sir, I don't. I try and weigh what they tell me and to filter it and to find out what the actual fact is that

they are trying to tell me.

3520 Q. You usually try to verify through other sources the information that's given you by a Purchasing Agent?

A. Well,—would you please restate that? May I hear the question again?

(Question read.)

A. Yes, in some cases I do try and find out from other people in the organization what the Purchasing Agent has told me.

Q. How many times did you call on Miss Rabinowitz?

A. I would say that she was probably there about two years with the firm so I must have called there, I must have visited there between 10 to 15 calls.

Q. What would be your estimate as to the number of times that you called on Moore and Company in 1957?

A. I would say six to ten times I called on them in 1957.

Q. Did you make a call report on every one of your calls?

A. No, sir, I don't.

Q. You don't make a call report on every call? Did I understand you correctly you do not make a call report on every call?

A. That is right.

Q. How do you decide which ones to report and which ones not to report?

A. Well, sir, I have been with the firm now, I will be going into my tenth year June 1st. And I think I can evaluate what my firm wants to know about my customers.

3521 I mean, there are certain things that if a routine call is made just to say "Hello", see if everything is fine, I certainly wouldn't type that out. But where there's something specific to be done with the account or to be known about the account, in that case I do make a sales report, but I do not make a sales report on every call that I make.

Q. Only those calls where you get some information that you feel should be reported to the Home Office; is that right?

A. That is right, sir.

Q. What type were these calls that you made on Moore in 1957? Were they the "no information" type or were they the type where you had the information or you obtained information that should be reported to the Home Office in your opinion?

A. Well, sir, I don't have my 1957 sales reports. I would say that when something was said to me by Moore, something pertinent to the West Coast Office of Basic that a sales report was made.

Q. You don't remember how many would fall into each category?

A. No, sir, I wouldn't know.

Q. How many times would you say you called on Moore and Company in 1958?

A. I would say between six and ten calls.

3522 Q. And in 1959?

A. About the same.

Q. 1960?

A. I would say just about the same, sir, too—six to ten.

Q. May I direct your attention, please, to Commission's Exhibit 208.

Would you read this again, please, Mr. Gallo, so that it will be back in your mind?

A. I have read that.

Q. I would like to direct your attention to the last sentence, Mr. Gallo, which says: "The Gentry man naturally mentioned this to him and he said he had no alternative but to place his small business with them."

What do you mean that the Gentry man naturally mentioned this to him? You mean you think it was natural that the Gentry man—I'm sorry—you mean you thought

at the time that it was natural for the Gentry man to mention this to Mr. Schaeff?

A. Sir, I see that the sales report is mine. Bluepoints Company was one firm that I did not spend very much time with.

Q. Do you have a recollection, Mr. Gallo, as to what you meant when you said "The Gentry man naturally mentioned this to him."?

3523 A. I think the word "naturally" should be omitted, actually.

Q. Why should it be omitted?

A. Well, because of the way it's worded here, the way I have got it worded here is that this is my assumption that the Gentry man mentioned this to him, rather than the customer's statement.

Q. Which was it, Mr. Gallo?

A. Sir, as I stated before, Bluepoints Company I'm not too familiar with—

Q. You don't remember which it was; is that right?

A. That's quite true.

3524 Q. This could have been an assumption on your part, is that right?

A. It might have been an assumption.

Q. Now, what about your statement that Mr. Schaeff said that the reason that they have placed their business with Gentry is because the largest customer they have for clam chowder is Consolidated Wholesale Grocers.

Do you have an independent recollection of Mr. Schaeff saying that to you? Independent of this document?

A. No sir, I do not.

Q. You do not remember now whether Mr. Schaeff did or did not say this, is that correct?

A. Well,—

Q. May I have an answer if you can, Yes or No, please?

A. I am sorry, I do not have an—no, the answer would be no.

Q. Then why did you say to Mr. Hays that the statements in this call report are true, instead of saying that you don't remember?

A. Sir, because this dates back to 1954, when I make a report I make a just and factual report to my firm, and if I—I made this report, I know I did, and this is the fact since I have put it into the report.

Q. Just as a matter of interest, Mr. Gallo, how do you know that you made this report?

3525 Do you recognize the typing or what?

A. Well, my initials are on the report, R. G. G.; the account was in my territory; I have a vague idea of making the call; and I have some idea of the account, and well, this is my report.

Q. Did you call on Bluepoints Company a number of times, Mr. Gallo?

A. When you say a number of times, I would say I called there at least a half dozen times at Bluepoints.

Q. Over a period of year?

A. Yes, sir.

Q. Tell us about this company, Mr. Gallo, what was it? Did it have any association with any other company?

A. Bluepoints?

Q. Yes, sir.

A. Did it have association with any other—

Q. Yes.

A. As far as I know they did not. I did not spend too much time with this account because in my estimate they were not large potential users of onion.

Q. What did they make?

A. Clam Chowder.

Q. Is that all they made?

A. That is all that I know that they made.

Q. What subsequently has happened to the company, sir?

3526 A. Bluepoints?

Q. Yes.

A. I believe Bluepoints has been absorbed by some other firm.

Q. What company?

A. Well, I don't know. I think it might be the Fred Fear Company or Doxsee.

Q. When did that happen?

A. I would not know, it happened some time ago.

Q. Have you been calling on them since that time?

A. On who, sir?

Q. Bluepoints?

A. No, I have not.

Q. Why did you stop calling on them?

A. Because to my knowledge the company does not exist out there any more.

Q. Oh, when did they stop existing?

A. Well, I don't know; they might be in existence for all I know, that might have been a mistake that I made. Maybe I should be calling out there, I don't know.

Q. Mr. Schaeff was the buyer?

A. I have him listed as the buyer, sir.

Q. Do you remember Mr. Schaeff?

A. No, I do not.

Q. Did you ever call on anyone else at Bluepoints?

3527 A. Not that I know of.

Q. Did you ever discuss Mr. Schaeff's comments about Consolidated with any other official at Bluepoints?

A. No, sir.

Q. You never tried to see any of the executives who were over Mr. Schaeff?

A. I don't know if there was anybody over Mr. Schaeff, sir.

Q. But you never tried to see them if there were; is that right?

A. That is right.

Q. Do you have any idea how much clam chowder Bluepoints sold to Consolidated?

A. No, sir.

Q. Did you know at that time?

A. No, sir.

Q. Did you make any effort to find out?

A. No, sir.

Q. How much did you sell to Bluepoints at any time?

A. I don't recall personally ever selling them anything.

Q. You never sold them anything?

A. I don't recall ever selling them anything.

Q. Did Mr. Rethier tell you what branch of Consolidated he was trying to sell his soups to?

A. If memory serves me correctly I think it was the Reid-Murdoch Division.

3528 Q. Did he tell you under what brand they would be sold?

A. Sir, yes, he did tell me, he did tell me. I think that it was the Monarch Brand.

I could be wrong on that, I just cannot recall the exact brand, during one of my conversations with him, the brand.

Q. Did he tell you that he was trying to sell Consolidated or that he had sold Consolidated?

A. Well, if you go over my sales reports, sir, there were times where he told me he was trying to sell Consolidated and there were times after that that he had told me that he was selling to Consolidated.

Q. He told you both?

A. Yes, sir.

Q. And did he tell you that the desire on his part or whatever it was, as you have reported it, to buy from Gentry was in connection with his effort to sell Consolidated or in connection with his having sold Consolidated?

A. Would you please read that?

(Question read.)

By Mr. Walker:

Q. Do you understand the distinction I am making?

A. Not really.

Q. You have testified that he told you at various times that he was trying to sell Consolidated and that he
3529 had sold Consolidated.

Now, in connection with which one of those did he mention the fact that he was going to give Gentry business?

Was he going to give Gentry business because he was trying to sell Consolidated or because he had sold Consolidated?

A. Well, sir, when he was first attempting to sell Consolidated he had told me that the Gentry man had mentioned onion in to his prospective sale of soup to Consolidated. Then after he was selling to Consolidated in Chicago he had told me that the Gentry people kept after him to buy their onion because of his sale to Consolidated.

Q. Who were these Gentry people that told him this?

A. Well, in one specific instance it was Mr. Shapiro.

Q. Who else?

A. I don't recall him mentioning any other Gentry salesman by name.

Q. You mean he only mentioned Mr. Shapiro?

A. That is right, sir.

Q. So when you said Gentry people you meant Gentry person, Mr. Shapiro, there was not more than one involved; is that right?

A. I would not say that, sir, because in one particular case where he mentioned Mr. Shapiro, in other con-
3530 versations with him he mentioned Gentry.

Now, in the trade Mr. Shapiro is not Mr. Gentry in New York. There are other Gentry men around, so, I would say that just in the one case Mr. Shapiro was mentioned and that the word Gentry was used in other conversations with him.

Q. Mr. Rethier had a resort, didn't he, Mr. Gallo?

A. That is right.

3531 Q. Did you ever stay at that resort?

A. Yes, I did.

Q. When was that, sir?

A. Well, I don't recall the year to be perfectly honest, but it was, I would say that it was probably, oh, it would have been '54, it could have been '55—not '56—it could have been, I guess, '54 or '55, I would say.

Q. By youself or was someone with you?

A. No, I had—there were a group of my friends that I had brought up to the resort.

Q. Was this at your request or Mr. Rethier's invitation?

A. Well, I had asked Mr. Rethier if we might stop up there and he said it was a resort and we were perfectly welcome to go up, so I had made arrangements with him to, I think I had—I think there were four of us that had gone up, perhaps five of us, four friends and myself or three friends and myself had gone to his resort.

Q. Could you tell me how long you stayed?

A. We stayed the weekend.

Q. Is this resort or was it at that time open to the public?

A. Yes, I would say so. It is not really a resort. When you think of a resort—well, it is a resort in the fact that he had swimming there and he had housing there. I got off the subject matter, would you please tell me what the gentleman asked.

3532 Q. I was asking you whether it was a public resort?

A. Yes, it was a public resort.

Q. There were other people there when you were there?

A. Yes.

Q. When you talked to Mr. Rethier about this to make arrangements to go up there I assume you did talk to him in advance about your arrangements?

A. Yes, yes, I did.

Q. Did you talk to him about the amount you were going to pay?

A. I don't recall, but it was very reasonable. Gee, it was extremely reasonable, the rates that he had given to us.

Q. Did you ever ask him to do this free?

A. No, certainly not. Certainly not.

Q. He sent you a bill?

A. We each paid our own individual bill when we left.

Q. Did you discuss the amount of the bill with him in advance?

A. No. No, I didn't.

Q. How long had you been calling on Mr. Rethier when you did this?

A. A couple of years.

Q. Have you ever met Mr. Shapiro?

A. Have I ever met Mr. Shapiro? Yes, I have, sir.

Q. Frequently?

3533 A. No.

Q. How would you characterize your relationship?

A. I don't have a relationship with him.

Q. Well, on what occasions do you see him?

A. Well, I cover New York City and Mr. Shapiro is in New York City, and occasionally I might be in seeing someone and he will be outside or he will be inside and I will be outside waiting. We might cross in that manner. That would be the only way that we actually would see each other. I did meet him on Woodhaven Boulevard in New York City not too long ago in a diner, lunchtime.

Q. Do you know Mr. White?

A. Yes.

Q. Did you know him while he was a salesman for Basic?

A. Yes, I knew him, I knew of him and I knew him. I had gone out to call at the same time that he did to see the plant.

Q. Did you ever call on accounts with Mr. White when he was with Basic?

A. No, sir.

Q. Have you had occasion to see him since he left Basic?

A. Yes. I have seen him in the trade, calling on the trade.

Q. Does he call on some of the same customers that you call on?

A. Yes, he does.

Q. Did you ever have any credit difficulties with Mr. Rethier?

3534 A. Well, at times he was very slow, slow paying.

Q. Did you ever refuse to supply merchandise to him unless he paid his bills?

A. Not that I recall, no; not that I recall, sir.

Q. Did you ever discuss with him his non-payment of bills?

A. I think so, yes.

Q. When was that?

A. I wouldn't say actually when it was. I do know that Basic presents statements, customers, to the salesman thirty days after the date of invoice and it is normal procedure for us to mention the statement to the account, and I do remember that on occasion Mr. Rethier was beyond thirty days in paying, and I did discuss credit terms with him.

Q. When was your last sale, when was Basic's last sale to Les Pommiers, Mr. Gallo?

A. The last sale to my recollection would have been last year.

Q. How much was that, sir?

A. I think it was a five-hundred pound order, 540 pounds.

Q. And the year before that, did you sell them anything?

A. Very nominal if we sold them anything, I would say 500 pounds again.

Q. That would be in 1959, right?

A. That is right, sir.

Q. What did you sell him in 1958, do you remember?

3535 A. No, I don't recall, sir.

Q. You have been able to sell Rethier, is that right?

A. Yes, I have sold Mr. Rethier in the past.

Q. And continuing through 1960; is that right?

A. Well, I was credited with the sale in 1960, I didn't make the call and make the order myself.

Q. Basic was able to sell him in 1960?

A. To my knowledge I believe that we received an order last year.

3536 Q. You don't call on him any more; is that right?

A. Yes, I call on him very, very, very rare. Occasionally I call on him.

Q. Less frequently than you used to?

A. Yes, sir, less frequently.

Q. When did you stop calling on him so frequently or when did you slow down in the number of your calls?

A. I would say 1959.

Q. Why was that?

A. Because, this is strictly personal judgment once again, in my estimations soup sales to the trade in general were way off, he wasn't using too much onion, and I had assumed that he was selling to Consolidated and that he was going to continue to buy from Gentry because of that fact. His product has declined in sales over the years.

Q. On what did you base that assumption that he was continuing to sell Consolidated and would therefore continue to buy from Gentry?

A. Just a personal assumption.

Q. Did you know that he was continuing to sell to Consolidated?

A. Well, I haven't seen him in 1961, but I knew he was selling—to my knowledge he was selling them in 1960.

Q. How did you know?

A. Well, purely a personal opinion, it's something that—

Q. How did you know it, Mr. Gallo? What did you
3537 base this knowledge on?

A. On his sales to Consolidated in 1960?

Q. Yes.

A. Strictly a personal opinion.

Q. What do you mean by "strictly a personal opinion"? You just guessed that he was selling Consolidated?

A. No, I don't think I guessed he was selling Consolidated.

Q. Well, tell us, on what did you base it?

A. Well, I'm trying to—this was based upon my knowledge of the account and just a—

Q. Were you finished, sir? I don't mean to interrupt you.

A. I was just going to say personal opinion.

Q. How many times did you call on Les Pommiers in 1960?

A. I would say I was up there at least three times. To my knowledge I was up there three times. It might have been two, it might have been four.

Q. Did Mr. Rethier tell you during those visits that he was still selling Consolidated?

A. No, sir, he didn't.

Q. What about 1959? Did Mr. Rethier tell you during 1959 that he was selling Consolidated?

A. To my knowledge I would say yes to that question, sir.

Q. When in 1959?

A. I don't recall the exact dates that I visited Mr. Rethier.

3538 Q. About what time of year?

A. I couldn't commit myself because I don't actu-

ally know what time I was up there but I did contact him in 1959.

Q. And did you write a call report reflecting the fact that Mr. Rethier told you that he was still selling Consolidated?

A. I would probably have written a call report, yes.

Q. Do you remember writing such a call report?

A. In 1959?

Q. Yes.

A. No, sir, not at this moment I don't remember.

3539 Q. What else did Mr. Rethier say to you during 1959 about any subject other than the fact that he was selling to Consolidated?

A. Well, he was talking about selling his business, moving down to Atlantic City,—

Q. This was during 1959?

A. To my knowledge it would be 1959.

Q. Could it have been 1958?

A. No, sir, I would not say so, I would say it is about 1959.

Q. That is when he was planning on moving his business?

A. I did not say he planned to, he was just discussing the possibility.

Not moving his business, of selling his business?

Q. Did you ever meet Mrs. Rethier?

A. Yes, sir.

Q. Did you ever talk business with her?

A. Not really.

* * *

3541 By Mr. Walker:

Q. Mr. Gallo, directing your attention again to the Les Pommiers Company—

A. Yes, sir.

Q. Is it your opinion that Basic lost business with Les

Pommiers because of the Gentry Consolidated relationship?

A. Yes, sir.

Q. And you base that opinion on what Mr. Rethier told you.

A. That is right.

Q. In other words, you believe Mr. Rethier?

A. Yes, sir.

Q. You testified as follows this morning, Mr. Gallo, commencing on page 3499. I am quoting now:

"In calling on Mr. Rethier our business started to slip with him about 1956 and in being concerned over the
3542 account I gave the account a little more attention than I had in the past and I found out that Mr. Rethier's business was falling off. He had been losing some accounts himself which accounted for part of the loss of onion that we had formerly sold to him. Then Mr. Rethier had told me that as time passes his biggest customer on soup, I think the largest item that he makes, is onion soup and consomme.

"Mr. Rethier told me that his largest customer was Consolidated Wholesale Grocery Company of Chicago and that because he was selling Consolidated the Gentry representative made that point of the sales to Consolidated and said that they should be buying onion from him and Mr. Rethier told me that this was basically one of the reasons why our purchases had fallen off with him."

It is your testimony, then, Mr. Gallo, that your business with Les Pommiers as you have testified here started to slip about 1956?

A. I would say so, sir.

Q. During what years did you actually lose this business that you have stated it is your opinion that you lost after 1956?

Did it continue into 1957 and 1958?

A. Yes. We did very little selling to him to my knowledge during 1957 and 1958.

Q. About how much business would it be your
3543 opinion that you lost in 1957?

A. Oh, it would be hard to say, actually.

Q. Could you give us any kind of an estimate, Mr. Gallo?

A. I would say 3,000 pounds, perhaps 5,000 pounds.

Q. And in 1958, sir?

A. I would say a comparable amount.

Q. About the same, three to five thousand pounds?

A. It could be two to five — within that range, I would say.

Q. How much onion did Basic sell to Les Pommiers in 1958?

A. I would not want to state as a matter of record because I am not sure of the poundage.

Q. Did you make any of those sales in 1958?

A. Well, I myself called on the account, I can't recall whether he actually placed the order with me if we did sell him anything in 1958, or if we did sell him in 1958, if the order was placed directly with my office.

Q. What is you best recollection as to whether he placed any orders with you in 1958?

A. Sir, I really don't know.

Q. You don't have any recollection at all?

A. No, sir, I don't.

Mr. Walker: Will you make this document, please, Respondent's Exhibit 422? This is a call report dated October 30, 1958, bearing the initials R.G.G. and
3544 entitled "Basic Vegetable Products, Inc."

(The document referred to was marked Respondent's Exhibit 422 for identification.)

3545 By Mr. Walker:

Q. Mr. Gallo, will you please examine this exhibit,

that is Respondent's Exhibit 422 for identification (handing document to the witness).

A. I would say that that is my report.

Q. That is your report?

A. Yes, sir.

Mr. Walker: I will offer the exhibit in evidence as Respondent's Exhibit 422.

Hearing Examiner Kolb: It will be received in evidence, Respondent's Exhibit 422.

(Whereupon, the document referred to, heretofore marked Respondent's Exhibit 422 for identification, was received in evidence.)

By Mr. Walker:

Q. Now, having examined that report, Mr. Gallo, is your recollection refreshed as to whether Les Pommiers placed any orders with you in 1958?

A. I can't recall it, sir, but this is my report and the order was apparently — the order was placed with me since I have written up the report.

Hearing Examiner Kolb: Is that '58 or '59?

Mr. Walker: 1958, sir.

By Mr. Walker:

3546 Q. Now, Mr. Gallo, I would like to show you Respondent's Exhibit 149 which contains on it the purchases of dehydrated onion from all sources by Les Pommiers in the years 1946 to 1958. This exhibit has already been received in evidence in this case and the data as to Basic was Basic's sales to Les Pommiers and was taken from Basic's books and records. I would like to have you examine this, please (handing document to the witness).

Having examined that exhibit, Mr. Gallo, is it still your testimony that Basic's sales with Les Pommiers started slipping in 1956 and that you lost from two to five thousand pounds of business to Gentry in the years 1957 and 1958?

A. Would you please repeat that for me?

(The reporter read the question.)

A. (Continuing) I would say that the business started to slip for Basic in 1956, since we haven't made any sales to them that year; but I can certainly see where I overrated the account as far as poundage used.

Q. How much does that exhibit show Gentry sold to them in 1957?

A. Six hundred pounds in 1957 and 600 pounds in 1958.

Q. And based on that Gentry couldn't have taken that much business away from you that you testified, could they?

A. No, sir, certainly not.

Q. Actually, according to this exhibit you first started losing business to Gentry with Les Pommiers in 1954,

3547 isn't that right?

A. May I see that again, please.

I would say actually in 1953 where the poundage dropped off from fifteen down to five was the first year, that was the start of the slide.

Q. But in 1953, do I myself recollect, Gentry didn't sell them anything, is that right?

A. That is correct, sir.

3548 Q. The first year where Gentry sold Les Pommiers anything was 1954, is that right?

A. That is correct.

Q. I would like to refer to another portion of your testimony, please, Mr. Gallo, page 3509. This, Mr. Gallo, is where you were being asked by me, I believe, about this call report, and what Mr. Rethier said to you and what he had not said to you, and I will read commencing at line 19:

"Sir, I am certain that this report is absolutely true and that Mr. Rethier told me that Max Shapiro said they would have to buy their onions."

And you have just testified, I believe, Mr. Gallo, just a

moment or two ago, that you believed Mr. Rethier; is that right?

A. Yes, sir.

Q. Have you over the years usually believed Mr. Rethier?

A. Well, Mr. Rethier, along with other people, I would weigh what I thought was intelligent fact and disregard anything that I did not think was fact.

Q. Have you over the years usually believed Mr. Rethier and what he has told you, Mr. Gallo?

A. Are you referring to things in general?

Q. The things that he has told you over the years in your conversations with him that you have been calling on this company, have you usually believed him?

3549 A. I would say so.

Q. This is Respondent's Exhibit 56, which is a call report dated November 8, 1954, containing your initials, Mr. Gallo.

This document has already been received in evidence. I would like to read to you from a portion of this call report, and I quote:

This is describing a call on Mr. Rethier and you are talking about Mr. Rethier.

"I do not put too much stock in what he tells me unless he has something in writing to prove it. All the other men here in the East know Mr. Rethier quite well and I am sure they will agree."

Do you want to examine this?

(Handing document to the witness.)

When you have finished reading it, Mr. Gallo, if you would just state for us whether you wrote that call report, please?

A. Yes, sir, I did write the report.

Q. Now, Mr. Gallo, I am not going to ask you any more questions about that.

Now, Mr. Gallo, did Mr. Rethier ever give you any other reason for not buying from Basic?

A. No, sir.

Q. Did Mr. Rethier ever criticize to you or to your
3550 knowledge to anyone else Basic's products or their service or anything about Basic?

A. Not that I can recall. He never criticized the product, if my memory serves me right. I don't recall his ever criticizing the product or my services or my company's services, the Plainfield office. I can't recollect that he did, if memory serves me right.

Q. You don't ever remember receiving any complaints from Mr. Rethier?

A. Offhand, at this moment, I would say, no, sir.

Q. Did Mr. Rethier ever complain to you about Basic's drums containing dehydrated onion being too tall?

A. He might have, but I don't recall that he did.

Q. What is your best recollection as to whether he did or did not?

A. I don't recall his telling me that.

Q. To the best of your knowledge and your recollection he did not?

A. I can't recall that he did, sir.

Q. This is Respondent's Exhibit 150, which is a letter dated November 7, 1953, from Mr. Rethier, addressed to Basic Vegetable Products, Inc. I would like to have you examine this letter, please, Mr. Gallo, and tell me if this refreshes your recollection and if you ever saw a copy of this letter?

(Handing document to the witness.)

3551 A. Sir, to my knowledge I have never seen a copy of this letter and I can't recall the incident.

Q. Would you show it to the Hearing Examiner, please, so he will see what we are talking about?

(Document was handed to the Examiner.)

Q. Did any other salesman for Basic ever call on Les Pommiers during the period when you were calling on them?

A. I took over the account, if my memory serves me correctly, in 1953. One of our men who was more or less in a semi-retired state at the time working for Basic and he had just a restricted amount of accounts to call on, might have stopped in there on his way down from New England.

I think perhaps he did stop in at one time or another with his wife. That would be Mr. Lyle Dawe. I think Mr. Rethier, that Mr. Dawe did stop by, and it might have been 1953.

Q. Did Mr. Dawe ever discuss with you the substance of his conversations with Mr. Rethier?

A. No, sir.

Q. He never told you what he learned?

A. No, sir.

Q. I will show you Respondent's Exhibit 57 and ask you whether you have ever seen a copy of this before or whether its contents were communicated to you in any other form?

3552 (Handing documents to the witness.)

A. This correspondence is new to me, Mr. Walker. I have never seen it in the past.

Q. Never saw it before?

A. Not that I can recall, sir, no.

Q. Would you show that to the Hearing Examiner, please?

A. Yes, I will.

(Document was handed to the Examiner.)

Q. Now, having read the letter from Mr. Rethier and Mr. Dawe's report, both of which refer to complaints by Rethier about the tallness of the Basic barrels, does this refresh your recollection at all that Mr. Rethier ever dis-

cussed this matter with you?

A. No, sir, I cannot recall Mr. Rethier ever discussing that with me.

Q. Now, these two communications were written in 1953, is that right?

A. That is correct.

Q. And what was the first year when Les Pommiers first started buying from Gentry?

A. I don't recall, it is on that other document.

(Document was handed to the witness.)

1954 was the first year that Les Pommiers started buying from Gentry.

Mr. Hays: According to that exhibit?

3553 A. According to this exhibit.

By Mr. Walker:

Q. Do you recall when it was that—independently of this exhibit, when Les Pommiers first started buying from Gentry?

A. Excuse me?

Q. Independently of this exhibit, do you recall when Les Pommiers first started buying from Gentry?

A. No, sir.

Q. You don't have any idea?

A. Well, I had assumed that I took the account over in 1953 and I had assumed that they had purchased Gentry material prior to my taking the account over.

Q. Well, now, you have said that Mr. Rethier did not give you any complaints. Did he ever complain to you about any of your actions?

A. My actions?

Q. Yes, any of your actions?

A. No, sir.

Q. Did there ever come a time when Mr. Rethier was mad at you?

A. Not that I can recall. I have always had a good wel-

come over there every time I have driven up to see him. I have always had a good welcome.

Q. There has been no time when Mr. Rethier was mad at you?

3554 A. Now, Mr. Walker, as far as I know, I can't recall—you are referring to me personally?

Q. Yes, sir?

A. No, I can't recall that he was ever mad at me.

Q. Did you ever write a call report to Basic's home office saying that Mr. Rethier was mad at you?

A. I can't recall it.

3555 Q. I direct your attention, Mr. Gallo, to Commission's Exhibit 168-D. This, Mr. Gallo, is a card that is kept in Basic's home office on which entries are made regarding the call reports and contacts that are made by the various salesmen. Opposite the date February 24, 1956, and the initials RGG, there appears the following entry:

"Rethier is raving mad at me, said it will be a long time before he will order again because Basic has registered a complaint with the Federal investigator" and in the entry December 7, 1956, ten months later, also your initials:

"Still mad, ordered 1500 pounds of sliced onion from Gentry."

Mr. Hays: Your Honor, I feel I must object to this type of questioning because my recollection insofar as Commission's Exhibit 168-D is concerned is that these documents were not introduced in evidence for the truth of the matters contained on that particular side of the card. As I recall they were introduced merely for the purpose of showing that a contact was made as of a certain date.

Mr. Walker: I did not say that it was true, I am only using the document, your Honor, for the purpose of asking the witness whether his recollection is refreshed, and I believe it should be proper for that purpose.

Hearing Examiner Kolb: You can use any document

for that purpose.

3556 The objection will be overruled.

By Mr. Walker:

Q. Now, Mr. Gallo, does this refresh your recollection as to whether there was ever a time when Mr. Rethier was mad at you?

A. Yes, it does.

Q. Will you please tell us whether these statements are true that on February 24, 1956, and December 7, 1956, Mr. Rethier was mad at you?

A. Yes, it does refresh my memory that he was mad.

Q. And did he say to you that it will be a long time before he will order again from you?

A. Yes, sir, I seem to recall that that was included in the conversation with him.

Q. And did he also say that he would not order from you because Basic had registered a complaint?

A. That is correct.

Q. Is it still your testimony, Mr. Gallo, that in your opinion Basic lost business to Gentry with Les Pommiers in 1957 and 1958 because of the Gentry-Consolidated relationship?

A. Well, with the facts and figures here that you have shown me I must concede that I was not 100 per cent up to date on what the customer was doing.

Q. Then it is still not your opinion, is that right?

A. I didn't finish the question, sir.

Q. Well, will you answer me yes or no, Mr. Gallo?

3557 Hearing Examiner Kolb: He has a right to explain his last answer.

Mr. Walker: All right, sir.

The Witness: Based upon the figures that you have shown me here I can certainly see where the—where I had the customer overrated as to what his potential usage was.

Now, the fact that we may have lost business to Gentry,

we may have lost business to Gentry because of the sale to Consolidated, I still think is a fact. With what Mr. Rethier had told me. Now, I think where I was wrong myself in the—was that they did not use the poundage that I had thought they did.

By Mr. Walker:

Q. In your opinion, Mr. Gallo, did Basic lose business with Les Pommiers in the years 1957 and 1958 because of the Gentry-Consolidated relationship?

A. You said '57 and '58?

Q. That is correct, sir.

A. I would be inclined to say, no, based upon this particular—

Hearing Examiner Kolb: Exhibit.

A. (Continuing)—exhibit. Excuse me. For the years 1957 and 1958.

By Mr. Walker:

Q. And it was also your opinion in 1956 that you lost some business because Mr. Rethier was mad at you; is that right?

3558 A. I don't recall saying that, sir, in the hearing here.

You asked me if Mr. Rethier was mad at me. I originally said I couldn't recall, after having seen what we have on record I do recall the incident.

Q. Excuse me, were you done?

A. I was going to ask you what you had just—

Q. I am referring to your statement as you said before you do now recall having made, that Mr. Rethier said to you that it will be a long time before he will order again from Basic because Basic had registered this complaint? You told me before that you recalled Mr. Rethier saying this to you?

A. I am somewhat puzzled on that. Would you kindly read that.

Q. No question.

Have you ever tried to get Rethier to sign a contract with Basic?

A. I am sure that I must have over the years.

Q. Did you ever try to get Mr. Rethier to sign a contract for 15,000 pounds of dehydrated onion?

A. I could have, sir.

Q. Did he refuse?

A. I don't recall.

Q. Did you ever get a contract from Mr. Rethier?

A. Personally?

Q. Yes.

3559 A. Not that I can recall.

Q. Isn't it a fact, Mr. Gallo, that Mr. Rethier refused, despite repeated requests on your part to enter into any contracts with Basic and preferred to order on a spot basis?

A. That might be true.

Q. And didn't you continually try to get him to enter into a contract despite the fact that he told you that he didn't want to?

A. July 1st, prior to July 1st of every year I approach all of my people to contract with them for their yearly requirements. So I am sure that I approached Mr. Rethier on a contract.

3560 Q. Would you read the question back, please.

(Question read.)

A. If he refused to sign the contract I might have asked him again if he wished to sign the contract, but I'm sure that I didn't repeatedly, to my knowledge, that I can recall, ever repeatedly ask him to sign it.

Q. Just every year, is that right?

A. Yes, well, when you say repeatedly, sir, if you mean on a yearly basis, yes, I asked everyone of my customers every year if they would like to contract with us from July

1 of one year to June 30 of the following year.

Q. Mr. Gallo, I'm not trying to cut you off, but I didn't ask you what you did with your other customers, I asked you did you ask Mr. Rethier every year to sign such a contract.

A. Yes, yes I did.

Q. You will recall your testimony, Mr. Gallo, about staying at Mr. Rethier's resort.

A. Yes, sir.

Q. Did you try to place an order with him for dehydrated onion while you were staying there?

Mr. Hays: Read the question back, please.

(Question read.)

By Mr. Walker:

Q. In other words, did you try to sell him some dehydrated onion while you were staying there?

3561 A. No, sir.

Q. Now, in relation to Moore and Company, Mr. Gallo, you testified in relation to this company that it "was one of the first ones that I had really started by myself and I had built them up to a nice volume."

You were referring to your efforts to sell Moore and Company; is that right?

A. Yes, sir.

Q. When did you first start calling on them?

A. I would say I started calling on Moore in 1952, the year that I started with Basie.

Q. And from whom were they buying their dehydrated onion at that time?

A. If I recall they were buying some from Gentry but they were using some raw material at the time.

Q. Were you successful in selling them anything in 1952?

A. I think that I might have sold them something in 1952.

Q. When did you first start selling them in any substantial quantity, Mr. Gallo?

A. I think in 1953 we sold them several thousand pounds.

Q. What about 1952?

A. Sir, I can't recall in 1952 what the poundage was that we did with them.

Q. Do you recall what the approximate requirements of Moore and Company of dehydrated onion were in 1952 or 1953?

3562 A. I don't recall if in 1952 they were using an entirely raw onion or if they were using dry onion and raw.

Q. Well, let me expedite this figure by showing you, Mr. Gallo, Respondent's Exhibit 143, which is a tabulation of Moore and Company's purchases of dehydrated onion from Gentry and Basic. (Handing document to witness.)

Now, who was Moore and Company's exclusive supplier of dehydrated onion in the year 1951?

A. Gentry.

Q. In the year 1952 Basic sold them 82 pounds; is that right?

A. No, sir, in 1951 Basic sold them 82 pounds.

Q. I'm sorry, I must have the wrong figure here. 1951, 82 pounds; in 1952 you sold them nothing, is that right?

A. That is correct.

Q. In 1953 was the first year in which you sold them substantially, as you testified?

A. Yes.

Q. You took business away from Gentry here, didn't you, Mr. Gallo?

A. In 1953, yes, I would say so, based upon these sales figures.

Q. On what basis were you able to persuade Moore and Company to start buying more from Basic and less from Gentry?

A. Well, I called on the account regularly and I

3563 repeatedly sent in samples of our large sized onion

for their onion soup and I'm sure that was the quality basis that they considered giving this business.

Q. Did you ever use the two sources of supply argument with the Purchasing Agent?

A. I can't recall if I did with this account. I have used that in the past with people, so I might very well have used that here.

Q. Mr. Castelli testified, Mr. Gallo, that the desire to have two sources of supply was one of the reasons why he's started buying from Basic.

A. Uh, huh.

Q. You don't recall whether you specifically talked to him about his need to have two sources of supply?

A. In 1953, sir?

Q. Yes, or thereabouts.

A. No, in 1953, I was talking with a, I would see a Mr. Frank Palestrini there.

Q. What about Mr. Palestrini, did you ever discuss two sources of supply with him?

A. I might have, sir, I might have, I can't recall whether I did or not.

Q. It's such an unusual argument that you probably did, isn't that right, Mr. Gallo?

A. I could have.

3564 Q. You wouldn't say that you probably did?

A. No, I would say that I could have because—if my memory serves me correctly, this — I had assumed this firm was using some raw onion at the time, too, and I would like to leave it go as I could have brought that up.

Q. Did anyone at Moore and Company discuss with you their reasons for buying from either Basic or Gentry in 1953?

A. I can't recall, sir.

Q. Did anybody say anything about the Gentry-Consolidated relationship at that time?

A. No, sir, not that I can recall.

3565 Q. You were promised one-half of the requirements in 1953, is that right?

A. That might be so, Mr. Walker.

Mr. Walker: Will you mark this, please, as Respondent's Exhibit 423?

(Respondent's Exhibit 423 was marked for identification.)

By Mr. Walker:

Q. I would like to have you examine that document which is a call report bearing your initials and tell me if it was written by you, please, Mr. Gallo?

(Handing document to the witness.)

A. Yes, sir, this is my report, written by me.

Q. And does that refresh your recollection as to whether you were told that you would get one-half of the requirements in 1953?

A. Yes, sir, it does refresh my memory.

Q. Did you get one-half of the requirements?

A. In 1953, Mr. Walker?

Q. Yes.

A. Well, we picked up a considerable amount of business from them in 1953.

Q. Do you have the figures there?

A. Yes, I do.

Q. In 1954, according to this exhibit, you got twice

3566 as much as Gentry; in 1953 you got 6,900 and they got 9,300, they being Gentry; is that right?

A. Yes.

Q. In your opinion did Basic lose business with Moore and Company because of the Gentry-Consolidated relationship?

A. In my opinion did they?

Q. Yes, sir.

A. Well, sir, I know that—I know what Miss Rabino-

witz had told me and I do know that in 1959, I believe the year is, we did not sell them any poundage. So I would say due to that fact that we did lose business to them.

Q. It is your opinion that Basic lost business with Moore and Company because of the Gentry-Consolidated relationship; is that right?

A. I would say so, sir, yes.

Q. And that would be based on what Miss Rabinowitz told you, is that right?

A. Yes.

Q. I did not hear you, I am sorry.

A. That is correct, I am sorry.

Q. You testified as follows this morning, and I quote from page 3501.

"Miss Rabinowitz in 1958, I believe it was, had told me that we were going to lose business because Moore and
3567 Company were going to sell soups to Consolidated and that this would result in Gentry obtaining part of the business."

And that is the statement by Miss Rabinowitz upon which you base your opinion, is that right?

A. Well, sir, based upon that we did lose business in 1959, so I assume the two things go together.

You are asking me my opinion and in my opinion, based on my conversation with Miss Rabinowitz, it held true that we did lose some business.

Q. Now, you testified also this morning, Mr. Gallo, that you did not sell, to the best of your knowledge, anything to Moore and Company in 1959, is that right?

A. Yes, sir, I believe I had said that this morning.

Q. Did you lose any business during 1958 after Miss Rabinowitz talked to you?

A. May I see the sales figures there, sir?

Q. Surely.

A. The question was —

Q. Did you lose any business during 1958 after Miss Rabinowitz talked with you?

A. I don't recall whether we had lost business immediately or not.

Q. When was the conversation with Miss Rabinowitz, during what month of 1958, sir?

A. I just don't recall the exact month, Mr. Walker.

3568 I am sure there must be a sales report.

Q. Your memorandum dated October 14, 1958, which you had in front of you this morning, Commission's Exhibit 169, states that "Miss A. Rabinowitz, P.A., had told me that Gentry had arranged with Mr. Castelli to sell his products to Consolidated Wholesale Grocery. This occurred in early January."

A. May I see that, sir?

Q. Surely. If you have another I have some notes on this.

It is Commission's Exhibit 169.

(Document was handed to the witness.)

That is the end of that paragraph numbered 2.

A. Now, may I please hear the question?

(Question read.)

A. Yes.

Q. And that is the conversation upon which you based your opinion that Basic was going to lose business; is that right?

A. Yes. To the best of my knowledge it is, yes.

Q. And you say here, "Since that time," —that is since last January, "all purchases have been made from Gentry."

A. Well, I had made the statement I assume that is correct.

3569 Q. May I see that exhibit you have there, please, sir? And yet in 1958, according to this record, Basic sold to Moore and Company 2,930 pounds of dehydrated onion?

A. That is correct.

Q. Well, when did Moore and Company buy this from Basic during 1958?

A. Well, it could have been purchased in January.

Q. It could have been purchased after October 14, the date of this report, too, is that right?

A. It could have been, yes.

Q. It is your best recollection that Moore and Company bought nothing from Basic from the period January to October 14, sir?

A. Of 1958?

Q. Of 195 [sic].

A. To the best of my knowledge I would say that is correct.

Q. Do you have a recollection of that or are you just assuming what you wrote here was true, Mr. Gallo?

A. Do I have a recollection—

Q. Do you have a recollection of that or are you just assuming that what you wrote here on October 14, 1958, was correct?

A. I have a recollection of my conversation with Miss Rabinowitz.

Q. I understand, do you have a recollection that Basic sold nothing to Moore and Company during the period January to October 14, 1958?

3570

A. I don't really know if we did sell anything after that time, during that period. I just don't recall, sir.

Q. You testified this morning, and I quote, Mr. Gallo, this is at page 3501:

"I never actually contacted him"—that is Mr. Castelli—"directly."

Do you remember that testimony?

A. Yes, sir.

Q. By that do you mean that you never made a sales call on Mr. Castelli?

A. I meant by that that when I visited Moore and Company, and when I do now, I first ask for the purchasing agent, and if I see Mr. Castelli it is probably due to the fact that I see him there and I say Hello, or I talked to him. Under certain circumstances I have asked for him.

Q. Does this mean that you usually discuss your business with the purchasing agent or the buyer and not with Mr. Castelli?

A. That is right, sir, most of my business with Moore and Company over the years have been with the purchasing agents.

Q. Well, have you ever discussed the matter of orders with Mr. Castelli himself?

3571 A. I have over the years with them, I am sure that at one time or another I had discussed the purchases with Mr. Castelli. It was a rare occasion when I did, though.

Q. What about 1958, did you discuss the possibility of making sales to Moore and Company with Mr. Castelli in 1958?

A. I can't recall whether I did or not, sir.

Q. You may have and you may not have, you have no recollection; is that right?

A. No, sir.

Mr. Walker: Would you mark this, please, as Respondent's Exhibit 424 for identification?

(Respondent's Exhibit 424 was marked for identification.)

By Mr. Walker:

Q. I will ask you to examine that exhibit, please, Mr. Gallo, and state whether that is a call report written by you?

(Handing document to the witness.)

A. That is my report, sir.

Mr. Walker: I will offer the report in evidence, please, as Respondent's Exhibit 424.

Hearing Examiner Kolb: I don't believe 423 was offered.

Mr. Walker: I thought I had neglected to offer it. May I offer both at the same time?

3572 Hearing Examiner Kolb: If there is no objection, the documents will be received in evidence as Respondent's Exhibits 423 and 424.

(Respondent's Exhibits 423 and 424 were received in evidence.)

By Mr. Walker:

Q. What is the date of that document, Mr. Gallo?

A. November 14, 1958.

Q. And according to that call report that is a date when you called on Mr. Castelli; is that right?

A. That is right.

Q. And Mr. Castelli told you you were going to get an order; is that right?

A. That is correct.

Q. Did you get the order?

A. I don't recall, sir.

Q. That was just about a month after you wrote this Commission's Exhibit 169, which is dated October 14, 1958, is that right?

A. Based upon what we have discussed here, yes.

Q. Did you say anything to Mr. Castelli at that time about your conversation with Miss Rabinowitz?

A. About Consolidated?

Q. About your conversation with Miss Rabinowitz about Consolidated, yes.

3573 A. No, sir.

Q. Did you complain to him about the fact that you were losing business because of this Consolidated relationship?

A. Not that I can recall.

3574 Q. Did you ever say anything to Mr. Castelli about what Miss Rabinowitz had told you?

A. Not that I can recall, sir, I don't recall ever talking to Mr. Castelli about what Miss Rabinowitz told me.

Q. Did Basic Vegetable Products, Inc., in your opinion lose business with Bluepoints because of the Gentry-Consolidated relationship?

A. I don't think I would actually know because I didn't call there that much to know them and to my recollection we weren't getting any business, so whether or not that's actual fact or not I don't think I would be qualified to answer that question.

Q. Now, Mr. Gallo, you testified that to your knowledge your firm has never sent you anything asking you to submit written reports of what has been called reciprocity. Do you remember that testimony? It is at page 3518 of the transcript.

A. Yes, I recall discussing that this morning.

Q. And you said you never recalled Mr. Sparling writing you requesting any information about reciprocity?

A. No, sir.

Q. Did anybody else at Basic ever ask you to submit such a report?

A. I might have had something from Sparling but I know I had discussed it with him.

Q. With whom?

A. With Bob Sparling, our sales manager.

3575 Q. Did you have any discussions about this in 1958?

A. Well, yes, because it had been in my sales report and, yes, we did discuss it.

Q. Did anyone in 1958 ask you to submit a written report on instances of reciprocity where you had knowledge?

A. Not that I recall, sir.

Q. You don't recall any such?

A. No, sir.

Q. Would you take a look at the first paragraph of Commission's Exhibit 169, please, Mr. Gallo, and see if that refreshes your recollection.

This is the exhibit that you have had in front of you several times today.

This states, and I quote: "Jack Heatherington notified me today about your appearing before the FTC on October 20. I have two accounts in my territory that were pressured from buying from Gentry because of sales to Consolidated Wholesale."

Who is Mr. Heatherington?

A. He is the office manager.

Q. At Basic?

A. At Plainfield, New Jersey.

Q. And what did Mr. Heatherington notify you about?

A. About writing about the reciprocity that we had been discussing about.

Q. Mr. Heatherington asked you to write to Mr. 3576 Sparling about instances where you had information about reciprocity, is that right?

A. That is right, sir.

Q. And that is why you wrote this document, is that right?

A. That is correct.

Q. Mr. Gallo, have you ever talked to anyone at any company where anything was said to the effect that the company was reluctant to buy from Gentry because they considered Consolidated to be a competitor?

• • •

Mr. Walker: Do you understand the question, Mr. Gallo?

The Witness: Yes, I do. I am just trying to recall if it has—someone might have. I don't recall offhand just who it might be if they did. Does that answer your question? I don't recall that anybody did.

Mr. Walker: No further questions.

Mr. Hays: No questions.

Hearing Examiner Kolb: That is all, Mr. Gallo.

Thank you very much.

3577 (Witness excused.)

Mr. Hays: Your Honor, that's all the witnesses we have in connection with our limited rebuttal.

• • •

3578 Mr. Walker: And we have nothing further to offer, your Honor, except one thing, I am sorry.

I discussed this already with Mr. Hays. I would like to suggest a stipulation by counsel that on March 7, 1961, California Vegetable Concentrates, Inc. announced plans to build a plant to process dehydrated white onions on a 40-acre site recently acquired by the company in El Centro. Construction of an initial facility of 40-thousand square feet is expected to begin soon with completion scheduled for late 1961.

Mr. Hays: I will stipulate that that announcement was made.

TRANSCRIPT OF RECORD

No. 14197

IN THE

United States Court of Appeals

FOR THE SEVENTH CIRCUIT

CONSOLIDATED FOODS CORPORATION,
Petitioner,

v.

FEDERAL TRADE COMMISSION,
Respondent.

Petition to Review and Set Aside Order of the Federal Trade Commission

JOINT APPENDIX

VOLUME V
Pages 1973 to 2320

Commission Exhibits

INDEX TO COMMISSION EXHIBITS

Number	Description	Page
1	Consolidated Foods Corporation Annual Report, 1955	1973
2	Consolidated Foods Corporation Annual Report, 1956	1978
4	Tabulation showing annual dollar sales by Gentry of chili, onion and garlic for the years 1952 to 1955	1990
6	Gentry letter dated 9/27/51 relating to various companies	1990
7	Gentry letter dated 9/25/51 relating to various companies	1992
8	Gentry letter dated 10/3/51 relating to various companies	1994
9	Gentry letter dated 1/8/52 relating to Kurtz Bros.	1997
10	Gentry call report dated 11/20/52 relating to various companies	1998
11	Gentry letter dated 11/24/52 relating to various companies	1999
12	Gentry letter dated 3/2/53 relating to various companies	2001
13	Gentry letter dated 3/2/53 relating to various companies	2003
14	Consolidated letters dated 5/4/53	2006
15	Gentry letter dated 7/28/53 relating to various companies	2009
16	Consolidated letter dated 7/27/53 relating to various companies	2010
17	Gentry letter dated 10/29/51 relating to Gerber Products Company	2011

COMMISSION EXHIBITS

Number	Description	Page
18	Gentry letter dated 6/12/52 relating to Gerber Products Company	2013
20	Gentry letters dated 7/14/52 relating to Gerber Products Company	2015
21	Gentry call report dated 2/23/53 relating to Gerber Products Company	2018
22	Gentry memorandum dated 8/14/53 relating to Gerber Products Company	2019
23	Gentry call report dated 7/24/53 relating to Gerber Products Company	2020
24	Gentry call report dated 2/24/54 relating to Gerber Products Company	2020
25	Gentry call report dated 5/6/54 relating to Gerber Products Company	2022
26	Gentry letter dated 5/1/53 relating to J. J. Gielow & Sons	2022
27	Gentry letter dated 7/13/53 relating to J. J. Gielow & Sons	2023
28	Gentry call report dated 9/10/53 relating to Bedford Products, Inc.	2024
29	Gentry call report dated 1/29/54 relating to Bedford Products, Inc.	2025
30	Gentry letter dated 8/23/54 relating to Les Pommiers Canneries	2026
31	Gentry letter dated 8/25/54 relating to Les Pommiers Canneries	2027
32	Gentry letter dated 10/1/53 relating to Recipe Foods, Inc.	2028
33	Gentry letter dated 4/17/54 relating to J. L. Read	2029
34	Gentry letter dated 4/19/54 relating to J. L. Read	2030

COMMISSION EXHIBITS

Number	Description	Page
35	Gentry letter dated 9/28/51 relating to Grocery Store Products Co.	2031
36	Gentry letter dated 12/12/51 relating to Grocery Store Products Co.	2032
37	Gentry letter dated 12/26/51 relating to Grocery Store Products Co.	2033
38	Gentry letter dated 12/31/51 relating to various companies	2034
39	Gentry letter dated 1/8/52 relating to various companies	2037
40	Gentry letter dated 1/14/52 relating to Grocery Store Products Co.	2039
41	Gentry letter dated 1/14/52 relating to Grocery Store Products Co.	2040
42	Consolidated letter dated 1/11/52 relating to Grocery Store Products Co.	2041
43	Gentry call report dated 6/11/52 relating to Grocery Store Products Co.	2042
44	Gentry letter dated 6/16/52 relating to Grocery Store Products Co.	2043
45	Gentry call report dated 5/29/53 relating to Grocery Store Products Co.	2043
46	Gentry letter dated 2/27/53 relating to Grocery Store Products Co.	2044
47	Gentry call report dated 3/9/55 relating to Grocery Store Products Co.	2045
48	Consolidated letter dated 3/23/55 relating to Grocery Store Products Co.	2046
49	Consolidated letter dated 3/23/55 relating to Grocery Store Products Co.	2047
50	Gentry letter dated 3/17/55 relating to Grocery Store Products Co.	2048

COMMISSION EXHIBITS

Number	Description	Page
51	Gentry letter dated 4/4/55 relating to Grocery Store Products Co.	2049
52	Consolidated letter dated 4/20/55 relating to Grocery Store Products Co.	2050
53	Consolidated letter dated 3/31/55 relating to various companies	2051
54A	Consolidated letter dated 4/27/55 relating to Grocery Store Products Co.	2052
54B	Grocery Store Products Co. letter dated 4/25/55	2053
55	Consolidated letter dated 4/27/55 relating to Grocery Store Products Co.	2054
56	Gentry letter dated 5/9/55 relating to various companies	2055
57	Consolidated letter dated 5/17/55 relating to Grocery Store Products Co.	2057
58	Consolidated letter dated 5/17/55 relating to Grocery Store Products Co.	2058
59	Gentry letter dated 5/24/55 relating to Grocery Store Products Co.	2059
60	Gentry letter dated 6/30/55 relating to Grocery Store Products Co.	2060
61	Consolidated letter dated 7/13/55 relating to Grocery Store Products Co.	2061
62	Gentry letter dated 8/2/55 relating to Grocery Store Products Co.	2062
63	Consolidated letter dated 4/2/54 relating to P. J. Ritter Co.	2063
64	P. J. Ritter Co. letter dated 4/13/54	2064
65	Consolidated letter dated 4/14/54 relating to P. J. Ritter Co.	2065

COMMISSION EXHIBITS

Number	Description	Page
66	Gentry letter dated 8/13/52 relating to McCormick & Co.	2066
67	Consolidated letter dated 12/31/52 relating to McCormick & Co.	2069
68	Gentry letter dated 1/12/53 relating to McCormick & Co.	2071
69	Consolidated letter dated 2/6/53 relating to McCormick & Co.	2072
70	Gentry letter dated 2/18/53 relating to McCormick & Co.	2073
71	Gentry letter dated 10/14/54 relating to McCormick & Co.	2073
72	Gentry call report dated 4/25/52 relating to Morgan Packing Company	2075
73	Gentry letter dated 11/7/52 relating to Morgan Packing Company	2076
74A	Consolidated letter dated 11/18/52 relating to Morgan Packing Company	2078
74B	Gentry letter dated 11/7/52 relating to Morgan Packing Company	2078
75	Gentry call report dated 11/22/52 relating to Morgan Packing Company	2080
76	Gentry call report dated 11/24/52 relating to Morgan Packing Company	2082
77	Gentry letter dated 12/2/52 relating to Morgan Packing Company	2085
78	Gentry letter dated 12/11/52 relating to Morgan Packing Company	2086
79	Gentry letter relating to Morgan Packing Company	2088
80	Gentry letter dated 3/19/54 relating to Morgan Packing Company	2089

COMMISSION EXHIBITS

Number	Description	Page
81	Gentry letter dated 8/24/54 relating to Morgan Packing Company	2092
82	Gentry call report dated 1/14/54 relating to J. G. Van Holten & Son	2094
83	Gentry letter dated 12/30/53 relating to Smart & Final Co.	2095
84	Consolidated letter dated 1/12/54 relating to Smart & Final Co.	2097
86	Gentry call report dated 7/14/52 relating to Libby McNeill & Libby	2097
87	Gentry letter dated 7/17/52 relating to Libby McNeill & Libby	2098
88	Gentry letter dated 1/11/52 relating to Phillips Packing Co.	2099
89	Gentry letter dated 1/14/52 relating to Phillips Packing Co.	2101
90	Gentry call report dated 3/10/52 relating to Phillips Packing Co.	2102
91	Gentry call report dated 6/23/52 relating to Phillips Packing Co.	2103
92	Gentry letter dated 7/1/52 relating to Phillips Packing Co.	2104
93	Gentry letter dated 7/7/52 relating to Phillips Packing Co.	2105
94	Consolidated letter dated 7/10/52 relating to Phillips Packing Co.	2106
95	Consolidated letter dated 7/16/52 relating to Phillips Packing Co.	2108
97	Gentry call report dated 11/25/52 relating to Phillips Packing Co.	2109
99	Gentry Incorporated Annual Report, 1949	2110
100	Gentry Incorporated Annual Report, 1950	2117

COMMISSION EXHIBITS

Number	Description	Page
102	Consolidated Grocers Corporation Annual Report, 1951	2124
103	Consolidated Grocers Corporation Annual Report, 1952	2134
104	Consolidated Grocers Corporation Annual Report, 1953	2140
116	Minutes of meeting of Gentry Executive Committee held 1/28/53	2147
117	Minutes of meeting of Gentry Executive Committee held 2/4/53	2152
118	Minutes of meeting of Gentry Executive Committee held 3/11/53	2155
120	Names and addresses of salesmen employed by Gentry and the territories covered by them since 4/1/51	2159
121	Gentry letter dated 8/31/53 relating to George A. Hormel & Co.	2162
123	Basic Certificate relating to analysis of pounds sold by product for the years 1950 through 1957	2163
124	Basic call report dated 5/13/52 relating to Michigan Mushroom Co.	2164
125	Basic memo dated 6/4/52 relating to Michigan Mushroom Co.	2164
126	Basic memo dated 6/13/52 relating to various companies	2166
127A	Basic memo dated 5/30/53 relating to Michigan Mushroom Co.	2168
127B	Michigan Mushroom Co. letter dated 5/6/53	2169
128	Basic TWX dated 6/12/52 relating to Michigan Mushroom Co.	2170

COMMISSION EXHIBITS

Number	Description	Page
129	Basic call report dated 11/12/53 relating to Michigan Mushroom Company	2171
130	Basic call report dated 1/24/55 relating to Michigan Mushroom Company	2172
131	Basic sales cards relating to Michigan Mushroom Company	2173
132	Basic sales cards relating to Michigan Mushroom Company	2175
133	Basic sales card relating to Michigan Mushroom Company	2178
134	Basic sales cards relating to Michigan Mushroom Company	2179
135	Basic memo dated 6/27/55 relating to Armour & Company	2183
136	Basic sales cards relating to Armour & Company	2186
137	Basic call report dated 11/29/55 relating to various companies	2190
138	Basic call report dated 1/21/56 relating to various companies	2191
139	Basic call report dated 8/21/56 relating to various companies	2192
140	Basic call report dated 5/17/57 relating to various companies	2192
141	Basic call report dated 8/17/57 relating to various companies	2193
142	Basic sales cards relating to F. M. Wilson Company	2195
143	Basic call report dated 3/3/51 relating to College Inn Food Products	2200
144	Basic call report dated 1/21/52 relating to College Inn Food Products	2200

COMMISSION EXHIBITS

Number	Description	Page
145	Basic call report dated 2/19/52 relating to College Inn Food Products	2201
146	Basic memo dated 2/25/52 relating to College Inn Food Products	2202
147	Basic call report dated 6/7/52 relating to College Inn Food Products	2203
148	Basic call report dated 11/8/52 relating to College Inn Food Products	2203
149	Basic call report dated 12/8/52 relating to College Inn Food Products	2204
150	Basic call report dated 1/19/54 relating to College Inn Food Products	2204
151	Basic call report dated 1/29/54 relating to College Inn Food Products	2205
152	Basic memo dated 2/1/54 relating to College Inn Food Products	2205
153	Basic memo dated 2/1/54 relating to College Inn Food Products	2206
154	Basic call report dated 2/12/54 relating to College Inn Food Products	2206
155	Basic call report dated 9/29/56 relating to various companies	2207
156	Basic call report dated 5/4/56 relating to Rival Packing Co.	2208
157	Basic sales cards relating to Rival Packing Co.	2210
158	Basic call report dated 6/2/54 relating to Wass Food Products	2215
159	Basic call report dated 3/31/58 relating to various companies	2216
160	Basic call report dated 6/14/58 relating to various companies	2217

COMMISSION EXHIBITS

Number	Description	Page
161	Basic sales cards relating to Wass Food Products Company	2218
162	Basic sales cards relating to Lake Odessa Canning Co.	2221
163	Basic call report dated 3/22/54 relating to J. J. Gielow & Sons, Inc.	2223
164	Basic sales cards relating to J. J. Gielow & Sons, Inc.	2225
165	Basic memo dated 4/18/56 relating to Woolson Spice Company	2229
166	Basic sales cards relating to Woolson Spice Company	2231
167	Basic call report dated 9/17/54 relating to Les Pommiers Canneries	2236
168	Basic sales cards relating to Les Pommiers Canneries	2237
169	Basic memo dated 10/14/58 relating to various companies	2241
170	Basic sales cards relating to Moore & Company	2243
171	Basic memo dated 4/21/54 relating to Venice Maid Company, Inc.	2245
172	Basic call report dated 8/20/54 relating to Venice Maid Company, Inc.	2245
173	Basic call report dated 9/19/56 relating to Venice Maid Company, Inc.	2246
174	Basic call report dated 8/23/56 relating to Venice Maid Company, Inc.	2247
175	Basic call report dated 11/7/56 relating to Venice Maid Company, Inc.	2248
176	Basic call report dated 8/8/57 relating to various companies	2248

COMMISSION EXHIBITS

Number	Description	Page
177	Basic call report dated 8/29/57 relating to Venice Maid Company, Inc.	2249
178	Basic call report dated 2/12/58 relating to Venice Maid Company, Inc.	2250
179	Basic call report dated 3/26/58 relating to Venice Maid Company, Inc.	2250
180	Basic call report dated 4/28/58 relating to Venice Maid Company, Inc.	2251
181	Basic call report dated 9/30/58 relating to Venice Maid Company, Inc.	2251
182	Basic sales cards relating to Venice Maid Company, Inc.	2252
183	Basic call report dated 6/29/54 relating to J. L. Read Foods, Inc.	2256
184	Basic call report dated 1/20/55 relating to J. L. Read Foods, Inc.	2256
185	Basic call report dated 1/21/55 relating to J. L. Read Foods, Inc.	2258
186	Basic sales cards relating to J. L. Read Foods, Inc.	2259
187	Basic call report dated 3/14/57 relating to Joseph F. De Frates Company	2264
188	Basic sales cards relating to Joseph F. De Frates Company	2265
189	Basic call report dated 10/19/53 relating to Gerber Products Company	2267
190	Basic call report dated 3/18/54 relating to Gerber Products Company	2268
191	Basic memo dated 1/18/55 relating to Gerber Products Company	2269
192	Basic call report dated 6/22/55 relating to Gerber Products Company	2270

COMMISSION EXHIBITS

Number	Description	Page
193	Basic call report dated 10/7/55 relating to Gerber Products Company	2270
194	Basic call report dated 4/21/56 relating to Gerber Products Company	2271
195	Basic call report relating to Gerber Products Company	2272
196	Basic call report dated 6/20/56 relating to Gerber Products Company	2273
197	Basic sales cards relating to Gerber Products Company	2274
198	Basic call report dated 4/19/54 relating to Bedford Food Products	2278
199	Basic call report dated 6/4/56 relating to Bedford Food Products	2278
200	Basic call report dated 6/7/54 relating to Bedford Food Products	2279
201	Basic call report dated 4/19/54 relating to Bedford Food Products	2280
202	Basic sales cards relating to Bedford Food Products	2281
203	Basic call report dated 3/24/55 relating to Blue Seal Food Products, Inc.	2283
204	Basic call report dated 8/18/56 relating to various companies	2283
205	Basic call report dated 9/29/56 relating to various companies	2284
206	Basic sales cards relating to Blue Seal Food Products, Inc.	2285
207	Basic call report dated 5/29/56 relating to Bluepoints Company	2289
208	Basic call report dated 10/13/54 relating to Bluepoints Company	2289

COMMISSION EXHIBITS

Number	Description	Page
209	Basic sales cards relating to Bluepoints Company	2290
210	Basic call report dated 7/1/54 relating to P. J. Ritter Company	2292
211	Basic call report dated 1/21/55 relating to P. J. Ritter Company	2292
212	Basic sales cards relating to P. J. Ritter Company	2293
213	Basic memo dated 3/23/54 relating to various companies	2299
214	Basic call report dated 3/16/54 relating to Oscar Mayer & Company	2301
215	Basic memo dated 6/20/53 relating to Oscar Mayer & Company	2302
216	Basic memo dated 3/28/53 relating to various companies	2303
217	Basic memo dated 3/28/53 relating to various companies	2303
218	Basic memo dated 3/26/53 relating to George A. Hormel & Co.	2304
219	Tabulation showing sales of dehydrated onion and garlic by Basic to certain named companies in each of the years 1949 through 1957	2305
225	Recipe Foods, Inc. memo dated 5/5/52	2306
226	Gentry letter dated 5/19/55 with attachments	2307
228	Gilroy Foods, Incorporated balance sheet as of 1/31/61 and accountants' report	2314

1458 COMMISSION EXHIBIT 1

CONSOLIDATED FOODS CORPORATION

ANNUAL REPORT

1955: For the Year Ended June 30, 1955

• • •

1460 From the Chairman and the President to the Share Owners:

Sales of Consolidated Foods Corporation and subsidiaries for the year ended June 30, 1955 were $224,786,676, compared with the all-time record volume of $230,675,745 in the previous fiscal year, a decline of 2.6 per cent.

This decline was caused partly by lower price levels on several important commodities, particularly corn, coffee and rice, and partly by lower tonnage movements in the latter two commodities. Reduced volume in rice was the result of a situation affecting foreign markets, now largely corrected, and lower volume on coffee reflected interruption of operations during the move to the new River Grove plant outside Chicago.

Earnings after taxes for the 12 months ended June 30 were $2,578,818, compared with $3,267,247 in the previous fiscal year, a decline of $688,429. Of this $522,135 reflected a reduction in non-recurring profit on sales of fixed assets. In addition, the relocation of Chicago manufacturing and distributing operations created very substantial non-recurring expenses. This move was completed last April 1, and the economies resulting from the move were not reflected to any appreciable extent in results for 1954-55.

The price trend on corn, rice and coffee appears to be stablized and the general price situation in other products processed by the corporation is satisfactory.

After dividends paid on the preferred stock, earnings for

the year were equal to $1.69 per share of common stock, compared with $2.22 in the preceding year. Regular quarterly dividends on the preferred stock totalled $406,860. Quarterly dividends on the common stock totalled $1,286,950, reflecting an annual rate of $1.00 a share. The final quarterly dividend on the common was the 37th consecutive quarterly payment.

Expansion of operations in the canning and processing phases of the business, a long-term policy of the corporation, is evident in the sales chart on page 3 of this report. This chart shows an increase in total sales of over $100,000,000 or 80% in the last 10 years. Distribution sales, excluding those of products processed by the corporation, rose 31 per cent, from $102,107,000 to $134,225,000, whereas volume of the processing phases of the business increased 324 per cent, from $21,381,000 to $90,560,000.

Canning and processing facilities were further expanded during the year by acquisition of Gibbs & Co., Inc., a long-established canner of vegetables and tomato products, of Baltimore, Maryland. This gives Consolidated its first cannery in the heavily-populated Eastern consumer markets.

In March, Consolidated acquired the Chicago firm of E. A. Aaron & Bros., Inc., a leading marketer of frozen and fresh fruits and vegetables. Shortly after the close of the fiscal year Consolidated acquired American Frigid-Dough, Inc., of Chicago, processors of frozen fruit and meat pies and frozen dinners. Through these acquisitions Consolidated will increase its participation in the rapid expansion of the frozen food industry.

The financial report shows that the net worth of the corporation at the end of the fiscal year totalled $42,866,490, an increase of $1,666,290 for the year. Book value per common share, after allowing for preferred stock at par, was $27.35, compared with $25.93 at the end of the previous year.

Net working capital as of June 30 was $34,908,797; ratio of current assets to current liabilities was 2.5 to 1 compared with 3.0 to 1 a year ago. Short term bank loans as of June 30 totalled $9,900,000, compared with $5,500,000 at the end of the previous year. The increase reflects construction of the new River Grove plant, and an unusually large inventory of sugar in the Union Sugar Division.

This inventory situation resulted from Government sales restrictions imposed early in 1954. These restrictions are being continued, but with new production scheduled in line with sales quotas, Union's sugar inventory should be substantially reduced during the coming year. Other inventories are in normal operating position, and are valued at the lower of cost or market.

Long-term indebtedness was reduced by $1,142,000 during the year, and amounted to $12,714,500 at the year end.

Consolidated management believes that a progressive policy toward employees is essential, not only for sound employee relations, but in attracting desirable personnel.

Accordingly, an employee pension plan was submitted to stockholders and approved in October, 1954. Net cost to the corporation for the year, including a 10% funding of past service liability, was approximately $110,000.

Consolidated today has over 4,700 employees, and at the peak of the crop seasons, more than 10,000. Many hun-
1461 dreds have been with the corporation for years, and it is company policy to recognize their loyalty and service.

This policy is further emphasized by promotion within the organization, and every opportunity for such progress is offered to employees of ability and integrity. The company has reason to believe it is regarded very highly as an employer, and as a sound, progressive organization offering an attractive future.

The year just ended was one of solid achievement. The River Grove plant, one of the finest of its kind in the industry, was completed and occupied; research and sales development in the processing operations were intensified; several relatively unprofitable distribution outlets were discontinued. These and other accomplishments, discussed more fully in the report, should have favorable effects on future operating results.

The consistent and substantial growth of the corporation, evident in the several graphs on the opposite page, is bringing both stability and new opportunities for expansion through diversification.

Under any currently foreseeable circumstances, your management believes, the record of growth and expansion in the past will be extended into the future.

Respectfully submitted,

By order of the Board of Directors

/s/ Nathan Cummings
Chairman of the Board

/s/ S. M. Kennedy
President

Chicago, Illinois
September 20, 1955

• • •

COMMISSION EXHIBIT 1

COMMISSION EXHIBIT 1977-P

CONSOLIDATED FOODS CORPORATION

The corporation now operates canning and processing plants in 41 locations. Distribution centers including storage stocks are located in 45 market areas.

● **CONSOLIDATED FOOD PROCESSORS, INC., RIVER GROVE, ILLINOIS**
WEST CHICAGO, ILLINOIS
PIERCETON, INDIANA
ELLSWORTH, MICHIGAN
CHIPPEWA FALLS, WISCONSIN
KANSAS CITY, KANSAS
BALTIMORE, MARYLAND
SALEM, OREGON
LOS ANGELES, CALIFORNIA

● **MARSHALL CANNING DIVISION, HAMPTON, IOWA**
WAVERLY, IOWA
PELLA, IOWA
ACKLEY, IOWA
ROLAND, IOWA
GRUNDY CENTER, IOWA
SUGAR LAND, TEXAS
NATALIA, TEXAS

● **GENTRY DIVISION LOS ANGELES, CALIFORNIA**
OXNARD, CALIFORNIA
GILROY, CALIFORNIA

● **GEELS & CO., INC.**
BALTIMORE, MARYLAND
LANCASTER, PENNSYLVANIA

EXECUTIVE OFFICES, CHICAGO, ILLINOIS

● **ROSENBERG BROS. & CO., INC., SAN FRANCISCO, CALIFORNIA**
SANTA CLARA, CALIFORNIA
CHICO, CALIFORNIA
SAN FRANCISCO, CALIFORNIA
BIGGS, CALIFORNIA
FRENCH CAMP, CALIFORNIA
FRESNO, CALIFORNIA
FAIRFIELD, CALIFORNIA
ORANGE, CALIFORNIA
SANTA ANA, CALIFORNIA
MODESTO, CALIFORNIA
CEMENT CITY, CALIFORNIA
PORTLAND, OREGON
DALLAS, OREGON
RIDDLE, OREGON

● **UNION SUGAR DIVISION, SAN FRANCISCO, CALIFORNIA**
BETTERAVIA, CALIFORNIA

● **UNITED STATES PRODUCTS CORPORATION, SAN JOSE, CALIFORNIA**
SANTA CLARA, CALIFORNIA

– **E. A. AARON & BROS., INC., CHICAGO, ILLINOIS**
CHICAGO, ILLINOIS

△ **DANNEMILLER GROCERY DIVISION, CANTON, OHIO**
AKRON, OHIO
CLEVELAND, OHIO

△ **GRIGGS COOPER DIVISION, *ST. PAUL, MINNESOTA**
DULUTH, MINNESOTA

△ **GROVE PRODUCE DIVISION, RIVER GROVE, ILLINOIS**

△ **INTERNATIONAL DIVISION, SAN FRANCISCO, CALIFORNIA**

△ **LEE FOODS DIVISION, KANSAS CITY, KANSAS**

△ **SPRAGUE WARNER DIVISION, RIVER GROVE, ILLINOIS**

△ **WESTERN GROCER DIVISION, MARSHALLTOWN, IOWA**
ALBERT LEA, MINNESOTA
CARROLL, IOWA
CEDAR RAPIDS, IOWA
DAVENPORT, IOWA
DES MOINES, IOWA
DUBUQUE, IOWA
MANHATTAN, KANSAS
MASON CITY, IOWA

– **MONARCH FINER FOODS DIVISION, RIVER GROVE, ILLINOIS**
CUMBERLAND, MARYLAND
BALTIMORE, MARYLAND
COLUMBUS, OHIO
LOS ANGELES, CALIFORNIA
SAN FRANCISCO, CALIFORNIA
JACKSONVILLE, FLORIDA
MINNEAPOLIS, MINNESOTA
SOMERVILLE, MASSACHUSETTS
HOUSTON, TEXAS
RICHMOND, VIRGINIA
ROANOKE, VIRGINIA
WINSTON-SALEM, NORTH CAROLINA

.. **STORAGE STOCKS, Monarch Finer Foods Division**
BILLINGS, MONTANA
GREAT FALLS, MONTANA
BUTTE, MONTANA
PUEBLO, COLORADO
DENVER, COLORADO
CHARLESTON, WEST VIRGINIA
HUNTINGTON, WEST VIRGINIA

STORAGE STOCKS, Consolidated Food Processors, Inc
MEMPHIS, TENN.
KANSAS CITY, MISSOURI
CINCINNATI, OHIO
*ST. LOUIS, MISSOURI
RIVER GROVE, ILLINOIS

1478 COMMISSION EXHIBIT 2

CONSOLIDATED FOODS CORPORATION

ANNUAL REPORT
1956: For the Year Ended June 30, 1956

* * *

1480 From the Chairman and the President to the Share Owners:

* * *

1481 During the fiscal year Consolidated Foods acquired, through exchange of stock, the Omaha Cold Storage Company whose name was immediately changed to Ocoma Foods Company. This organization is a very important factor in the marketing of frozen poultry, frozen and dried eggs, and butter, and has been increasing its participation in the frozen prepared food field. American Frigid-Dough, Inc., a Chicago concern producing frozen fruit pies and frozen meat pies, had been acquired earlier in the year. It was merged with Ocoma Foods and its operations transferred to Omaha. These acquisitions give Consolidated an important and expanding position in the fast-growing frozen food field.

To achieve a strong position in the retailing field with a profitable enterprise, a premium was paid, based on the book value of the Consolidated Foods stock issued, for Piggly Wiggly Midwest Co. Inc. As a result, book value per share of Consolidated's common stock stands at $23.96, compared with $27.35 on June 30, 1955.

Your management and stockholders felt that the demonstrated earning power and the obvious potentials of Piggly Wiggly Midwest amply justified the premium paid.

As a result of these acquisitions and profits retained in the business, the net worth of the corporation increased to

$50,585,615 at June 30, 1956, an increase of $7,719,125 during the fiscal year.

In the latter part of our fiscal year negotiations were begun and an agreement has since been entered into whereby, subject to a favorable tax ruling from the Treasury Department, the corporation is acquiring Kitchens of Sara Lee, Inc. for stock. This is a top quality bakery business whose sales have increased from $400,000 per year in 1951 to a current annual volume of over $9,000,000 and the trend continues substantially upward.

Consolidated has over 6,000 regular employees, with nearly double that number during seasonal operations. Without their loyal and continuing efforts growth would not be possible. In recognition of this fact, the corporation has adopted a uniform group life insurance program. This replaces older plans and offers group life for the first time to many employees.

With its entry in the retail supermarket field, and its continued expansion in other phases of the food industry, Consolidated has become to a unique degree a complete food operation, handling a wide variety of products from the raw stage in the field through processing and distribution to the ultimate consumer.

Present indications are that the expanding economy that has prevailed in the food industry over the past year will continue into the year ahead. Due to Consolidated's diversified program, we feel our earnings are well stabilized, and management looks forward optimistically to the future.

/s/ Nathan Cummings
Chairman of the Board

/s/ S. M. Kennedy
President

Chicago, Illinois
September 18, 1956

• • •

1482 10 YEAR SUMMARY.

Fiscal Years Ended June 30	Earnings Before Federal Income Taxes	Federal Income Taxes	Net Earnings	Book Value Per Common Share*
1956.	$5,916,339	$2,885,089	$3,031,250	$23.96
1955	4,701,704	2,122,886	2,578,818	27.35
1954	5,951,435	2,684,188	3,267,247	25.93
1953	5,928,290	3,021,490	2,906,800	24.68
1952	2,037,955	1,060,764	977,191	22.01
1951	5,565,155	2,642,545	2,922,611	25.31
1950	2,644,642	1,020,837	1,623,805	23.16
1949	3,975,644	1,469,612	2,506,032	21.73
1948	4,065,722	1,429,620	2,636,102	13.08
1947	5,601,679	2,061,075	3,540,604	11.32

* After allowing for Preferred Stock at par.

1483 SOUND EXPANSION AND GROWTH

Each year the food industry shows steady gains in dollar sales and tonnage moved. Consumers today are spending a larger percentage of their disposable income on food than ever before.

Rising food sales are due not only to increased population and higher incomes, but also to higher nutritional standards, increased away-from-home eating, and the growing popularity of new types of prepared foods. Increased per capita spending for food is being secured through continuous product improvement, and more productive selling effort.

It is expected that new and better products, continuous plant and process modernization, and more effective marketing will mean continued growth for the food industry. Consolidated Foods Corporation expects to share in this promising future.

The corporation began operations in 1939 as a whole-

sale food firm. It has achieved its present sales volume through internal growth and the acquisition of diversified companies with demonstrated potential. Today it is one of the most versatile companies in the food field, with operations in all segments of the industry. Permanent employees now number over 6,000. Nearly 7,000 shareholders own its net assets of $50,585,615.

In addition to a nationwide network of sales offices, purchasing offices and agricultural receiving stations, the corporation operates 46 manufacturing and processing plants, 30 distribution centers, and a Midwest chain of 34 supermarkets.

During this expansion, the corporate task has remained the same: through progressive planning and efficient operation to offer customers and consumers fine food products, steadily improved in quality, packaging and convenience of use. These products must be marketed at prices which are competitive and yet permit payment of fair wages to employees, provide an adequate return to shareholders, and furnish funds needed to finance future growth.

Growing of Raw Materials

Most of the corporation's materials of production are purchased from farmers and growers across the country. In some cases, growing areas are operated by processing units of the corporation.

Company field men visit many growing areas before and during the development of crops to specify quality standards and, by expert advice, help produce maximum yields. Their fine relationship with our growers is reflected in the wholesome goodness of Consolidated Foods' products.

MANUFACTURING AND PROCESSING

From modern plants and canneries, located in 11 states, flow a wide variety of products including: frozen foods, dairy products, poultry, canned fruits and vegetables, diet foods, pickles, preserves and jellies, coffee, sugar, dried fruits, nuts, rice, seasonings, condiments, spices and specialty items.

1484 The past year has seen further corporate expansion in the dynamic frozen food field which now accounts for more than $1 billion of total annual food sales. In March, 1955 the corporation acquired E. A. Aaron & Bros., marketer of a complete line of frozen fruits and vegetables and specialty items for the Midwest market. Five months later, American Frigid-Dough, Inc., processor of frozen, ready-to-bake pies was purchased, and later merged with Ocoma Foods Company, acquired in November, 1955.

With the addition of Ocoma's experienced management, fine products, and facilities, Consolidated Foods became a major processor and distributor of frozen foods. A leading producer of frozen pies and dinners, Ocoma also processes frozen poultry, butter and eggs, and mixed feed. Nine processing plants are operated in Nebraska, Iowa and Arkansas. Sales branches and cold storage facilities are located in major markets.

One of the nation's leading canners is United States Products Corporation with plants at San Jose and Santa Clara, California. This subsidiary used approximately 70,000 tons of fresh fruits and vegetables in its production last year.

Acquired in 1954, Gibbs & Company of Baltimore, packed about 1,500,000 cases of canned vegetables last year, exceeding the previous year's pack despite crop destruction caused by hurricanes.

A leading member of the California beet sugar industry, Union Sugar Division last year sliced over 480,000 tons of beets to produce about 125,000,000 pounds of refined sugar.

Another major processing subsidiary is Consolidated Food Processors with 14 plants in eight states, integrating the processing operations of several earlier acquisitions. Its Marshall Canning Division near the close of the fiscal year moved its Sugar Land, Texas operation to a new modern plant, which will enable it to meet the increasing demand for its products in the fast growing Southwest.

1485 At modern plants in Gilroy and Oxnard, California, the corporation's Gentry Division continues to progress in the large-scale production of dried food seasonings. New production facilities were set up at Oxnard this year to process canned pimientos and canned green chili peppers.

From its San Francisco headquarters, Rosenberg Bros. & Co. directed extensive operations in the processing of more than 206,000,000 pounds of dried fruits, nuts and rice in California and the Northwest.

As more homes become equipped with freezer space, and as new and delicious frozen products emerge from test kitchens, frozen food consumption continues its remarkable rise. Canned products, the original convenience food, have also continued to grow in popularity because they are nutritious, reasonably priced, and can be quickly served in appealing dishes by homemakers and institutions.

Diet food production is rapidly expanding. Carefully packed to meet dietary requirements, these low-calorie canned and packaged items are being consumed by people on restricted diets, and also by those who wish to avoid the problems of excess weight.

DISPOSITION OF PRODUCTION

While company processed products are marketed through the corporation's distributing units, a substantial portion is sold to leading retail chains, supermarkets and wholesale distributors, for resale under their own or our brands. Much company production is sold to industrial users and food processing companies. All products are processed and packed under the high quality standards expected of Consolidated Foods Corporation.

Distributing units market many products not processed by the company and these are purchased from other processors and suppliers in this country and abroad. Here also, our own processing experience and trade relationships developed through the years, result in high standards of quality.

DISTRIBUTION FACILITIES

The corporation's distribution facilities conform to the varied markets served. Flexible enough to meet changing conditions, they fully utilize combined resources. Our wholesale divisions, serving their important function in modern food marketing, are: Monarch Finer Foods, Sprague Warner, Western Grocer, Dannemiller, and Lee Foods.

1486

Modern distribution centers operated by these divisions serve as efficient, low-cost sources of supply for retail and institutional customers. Many centers sponsor voluntary programs of wholesale-retail cooperation, such as our expanding Royal Blue Program, which enable affiliated members to become larger, more successful operators, and better customers.

Griggs Cooper Division, with headquarters in St. Paul and a branch in Duluth, is a specialized business, distribut-

ing leading brands of liquors throughout the state of Minnesota.

An increasing share of sales volume is accounted for by direct sales from our processing and canning plants to national retail chains and to supermarket groups with their own warehousing facilities. As company brands achieve wider consumer acceptance, this market increases in importance.

Another important market for company products, and an important customer group for wholesale divisions, is the institutional field. This includes restaurants, hotels, schools, industrial cafeterias and other out-of-home eating
1487 places. The growing institutional market already accounts for about one-third of total dollars spent for food in the United States.

Many company products have developed an international sales appeal, and foods for export constitute an important part of total corporate sales. While the International Division specializes in this field, other divisions and subsidiaries also carry on extensive export operations.

SUPERMARKET OWNERSHIP

When Consolidated Foods acquired Piggly Wiggly Midwest Company in May, 1956, it entered the retail chain field for the first time. Chain ownership represents a major step in corporate growth and expansion, present and future. From its Rockford, Illinois headquarters, Piggly Wiggly Midwest operates 17 supermarkets in northern Illinois, 11 in eastern Iowa and 6 in southern Wisconsin. All are large and attractive markets with modern customer conveniences. A new store expansion program is currently underway.

With its seasoned management team and established retail distribution, Piggly Wiggly Midwest points to new areas of growth for Consolidated Foods Corporation.

RESEARCH AND MARKET DEVELOPMENT

The purpose of all company research is to maintain and improve the quality of production, and to develop new and improved products. Research activities are decentralized, with control laboratories for each class of product. Scientific control of production marks all processing activities of the company. Qualified personnel exercise close supervision over raw materials, processing and freezing methods, packaging, and finished products.

Many consumers today are willing to pay for premium quality food products. Buying behavior in the market place indicates a willingness to pay for the convenience of easy-to-serve foods, and for special packaging. Because the corporation markets an extensive variety of such items, the trend to quality offers bright prospects for the future.

To secure maximum return from marketing expenditures is an important management task. Consumer and market research assist in adapting company products to public demand and industrial needs. Market facts and information are essential for accurate measurement of the return on marketing effort.

• • •

consolidated statements of income

	FOR THE YEAR ENDED JUNE 30, 1956	FOR THE YEAR ENDED JUNE 30, 1955
Net sales	$260,252,695	$224,786,676
Cost of sales	212,962,335	196,545,101
Gross profit	$ 35,290,360	$ 28,241,575
Selling, general and administrative expenses	29,349,661	24,441,788
Operating income	$ 5,940,699	$ 3,799,787
Other income:		
Cash discounts, net	$ 491,029	$ 601,933
Profit on disposal of property and equipment, less applicable income taxes—1956, $62,344; 1955, $207,001	187,052	664,851
Rentals, storage and miscellaneous, net	748,917	609,087
	$ 1,426,978	$ 1,875,871
	$ 7,367,677	$ 5,675,658
Interest charges (includes interest on long term debt, 1956, $504,397; 1955, $522,087)	1,513,682	1,180,955
Income before federal taxes on income	$ 5,853,995	$ 4,494,703
Provision for federal taxes on income (Note 2)	2,822,745	1,915,885
Net income for the year	$ 3,031,250	$ 2,578,818

The accompanying Notes to Financial Statements are an integral part of these statements of income.

consolidated statements of surplus accounts

	FOR THE YEAR ENDED JUNE 30, 1956	FOR THE YEAR ENDED JUNE 30, 1955
PAID-IN SURPLUS		
Balance, beginning of year	$ 7,776,165	$ 7,838,491
Add:		
Excess of assigned value (approximate market), over par value to shares of common stock issued in exchange for outstanding shares of acquired subsidiaries	5,583,373	
Excess of assigned value, based on quoted market price at the declaration date, over par value of 128,981 shares of common stock issued as a 10% stock dividend	1,777,359	
Paid-in surplus resulting from conversions of preferred stock	484,256	
Excess of consideration over par value of common stock issued under officers' and employees' stock option plan	35,972	
Adjustment of previous years' credits to paid-in surplus resulting from acquisition of properties, etc.	681	(62,326)
Balance, end of year	$15,657,806	$ 7,776,165
CAPITAL SURPLUS		
Balance, beginning of year	$ 9,660,793	$ 9,257,282
Add:		
Excess of book value of net assets of subsidiaries acquired over cost of investments, net	539,018	1,036,179
Contributions by growers for construction of facilities		76,659
	$10,199,811	$10,370,120
Deduct:		
Excess of net asset value of certain properties (acquired in prior years) over their acquisition costs, realized as earned surplus through their sale		709,327
Balance, end of year	$10,199,811	$ 9,660,793
EARNED SURPLUS		
Balance, beginning of year	$16,059,250	$14,564,742
Add:		
Net income, from consolidated statements of income	3,031,250	2,578,818
Amount realized in excess of acquisition costs, in liquidation and sale of certain properties, including $709,327 transferred from capital surplus		729,218
Underwriting discount on original issue of preferred stock applicable to shares converted and retired during the years; originally charged to earned surplus—now offset against credits to paid-in and capital surplus arising through current conversions and retirements	36,892	3,285
	$19,107,392	$17,876,063
Deduct:		
Transfer to reserve for federal taxes on income, prior years		$ 125,000
Adjustment of cost of investment in subsidiary		18,005
Cash dividends:		
On 3½% Cumulative Preferred Stock	$ 391,908	408,860
On Common Stock	1,562,167	1,286,950
Common Stock dividend, 10%, recorded at approximate market value as of record date	1,949,334	
	$ 3,903,407	$ 1,836,815
Balance, end of year	$15,203,985	$16,039,250

The accompanying Notes to Financial Statements are an integral part of these statements of surplus accounts.

Commission Exhibit 2 1987 COMMISSION EXHIBIT 2

assets

	June 30, 1956	June 30, 1955
CURRENT ASSETS:		
Cash on hand and in banks	$ 5,335,507	$ 3,233,348
United States Government securities, at approximate cost	70,402	101,187
Accounts and notes receivable, less allowance for doubtful accounts, 1956, $345,500; 1955, $333,500	15,129,692	12,314,000
Inventories—merchandise, finished product, raw materials and supplies, at lower of cost or market (Note 1)	53,142,326	40,734,037
Advances to growers and cost in connection with growing crops	1,246,390	1,000,330
Prepaid insurance, taxes, and expenses	942,782	926,139
Total current assets	$75,867,099	$58,309,041
LAND, BUILDINGS, MACHINERY AND EQUIPMENT, at approximate cost, less accumulated depreciation, 1956, $17,913,610; 1955, $13,429,104	22,066,987	18,817,190
OTHER ASSETS AND DEFERRED CHARGES:		
Cash surrender value of life insurance	194,560	182,622
Leasehold improvements, at cost, less amortization	528,334	69,414
Long term debt expense, less amortization	73,526	70,085
Sundry noncurrent assets and deferred charges	666,116	414,879
Total other assets and deferred charges	$ 1,462,536	$ 737,000
GOODWILL, TRADE-MARKS, AND OTHER INTANGIBLES, at nominal value	3	3
Total	$99,396,625	$77,863,234

liabilities

	June 30, 1956	June 30, 1955
CURRENT LIABILITIES:		
Notes payable to banks	$11,150,000	$ 9,900,000
Accounts payable	10,368,513	7,294,324
Long term debt payable within one year	2,142,573	1,118,000
Taxes, payable and accrued:		
Federal taxes on income (Note 2):		
Current year	2,988,048	2,041,262
Prior years' reserve	356,478	347,281
Other, including taxes withheld	1,560,832	1,314,609
Accrued salaries and wages, interest, and other expenses	1,669,257	1,384,768
Total current liabilities	$30,235,701	$23,400,244
LONG TERM DEBT, less payments due within one year (Note 4)	18,575,309	11,596,500
CAPITAL STOCK AND SURPLUS:		
Preferred stock—$50.00 par value (issuable in classes):		
Originally authorized—300,000 shares, of which 200,000 shares have been classified as 5½% Cumulative Preferred Stock:		
Issued and outstanding, 1956, 142,092 shares; 1955, 153,487 shares	7,104,600	7,674,350
Common stock—$1.33⅓ par value:		
Authorized—1956, 3,600,000 shares; 1955, 2,400,000 shares		
Reserved for conversion of Preferred Stock—1956, 427,908 shares; 1955, 420,282 shares		
Reserved under options granted to officers and key employees at not less than 95% of market value at date of granting—1956, 51,050 shares; 1955, 49,000 shares		
Issued and outstanding—1956, 1,814,560 shares; 1955, 1,286,949 shares	2,419,413	1,715,932
Surplus, per accompanying statement:		
Paid-in	15,657,806	7,776,165
Capital	10,199,811	9,660,793
Earned (Note 5)	15,203,985	16,039,250
Total capital stock and surplus	$50,585,615	$42,866,490
Total	$99,396,625	$77,863,234

The accompanying Notes to Financial Statements are an integral part of these balance sheets.

COMMISSION EXHIBIT 2

COMMISSION EXHIBIT 2

notes to financial statements

In accordance with the practices of the companies, their inventories and accounts payable do not include merchandise in transit. This exclusion does not materially affect the current position.

The inventory of whiskey and other liquors in bond, amounting to $1,678,617 at June 30, 1956, and $1,868,130 at June 30, 1955, is subject to the usual liens for federal and state taxes and accrued unbilled storage on bulk whiskey in bonded warehouses. Since these charges are not generally payable until withdrawal from bond, they are not taken up as liabilities in the accounts. When paid, the amount of such charges will result in a corresponding increase in the book value of the inventory.

Of the total provision for federal income taxes $207,001 for 1955, and $62,344 for 1956, was charged in the statement of income against profits realized on the sale of property and equipment. In addition, the total provision for 1956 was reduced by estimated refunds of $189,383, resulting from carry back of the net operating loss of a subsidiary.

A subsidiary of the Corporation is using a stepped-up property basis for computing depreciation and profit or loss on the sale of property and equipment. It resulted from the subsidiary's purchase of the stock of its predecessor company and subsequent liquidation of the predecessor. The Internal Revenue Service has not agreed to this basis and has proposed tax deficiencies totaling $129,371 for years through June 30, 1954, with interest to June 30, 1956, of $87,745. Further possible deficiencies, and interest for the years subsequent to June 30, 1954, amount to approximately $60,000. The subsidiary has protested these deficiencies as well as deficiencies and interest of approximately $105,000 for California franchise taxes for years through June 30, 1949. Further franchise tax deficiencies of approximately $35,000 would result from disallowance of the stepped-up property basis by the Internal Revenue Service.

The liability for additional federal income taxes and California franchise taxes for 1956 and prior years which may result from final interpretation of tax laws and regulations is not presently determinable. The reserve for prior years' federal income taxes at June 30, 1956, amounted to $356,478.

3 PENSION PLANS

The unfunded past service cost under pension plans amounted to approximately $692,000 at June 30, 1956. The annual cost of the plans, exclusive of past service costs, is estimated at approximately $230,000.

4 LONG TERM INDEBTEDNESS

Long term obligations payable after one year were outstanding at June 30, 1956, as follows:

Consolidated Foods Corporation:	
Promissory notes, 4%, due June 1, 1962/66	$ 7,600,000
Promissory notes, 4%, due June 1, 1962— October 1, 1964	1,380,500
Term bank loan, 4-¼%, due December 31, 1956—June 30, 1961	7,500,000
Subsidiary companies:	
Sinking fund debentures, 4%, due January 1, 1964	2,608,000
Serial debentures, 3-½%, due April 1, 1957/1970	999,000
Installment notes, 4%, due December 31, 1956/1960	210,000
Installment notes, 4-¾%, due March 1, 1957/1966	210,000
Conditional sales contracts for purchase of fixtures and equipment, payable in monthly installments over maximum period of three years	210,382
	$20,717,882
Less amounts payable within one year	2,142,573
Net total payable after one year	$18,575,309

The aggregate annual requirements for fixed and sinking fund payments on long term debt each year for the five fiscal years following June 30, 1956, are as follows: in 1957 $2,142,573, in 1958 $2,101,802, in 1959 $2,071,007, in 1960 $2,035,000, and in 1961 $2,045,000.

In addition to the foregoing requirements, there are contingent payments (based on earnings and sales of property and equipment) on indebtedness of subsidiaries.

Under provisions of the agreement covering the issue of 4% Promissory Notes of the Corporation, earned surplus is subject to certain restrictions regarding its use for stock purchases and retirements, investments in affiliates, and dividends other than stock dividends and regular dividends on preferred stock outstanding on June 30, 1952. The amount available for such restricted purposes at June 30, 1956, was $4,773,988. Nor may such stock purchases and retirements, investments, and dividends operate to reduce consolidated net current assets of the Corporation and its subsidiaries after July 1, 1952, to less than $21,000,000. The agreements relating to other long term indebtedness place restrictions on the payment by subsidiaries of dividends other than stock dividends and impose specific requirements for the maintenance of working capital.

Sinking fund—On each August 1, to and including August 1, 1961, the Corporation is required to deposit $200,000 in a sinking fund to be applied to the retirement of shares of Preferred Stock by purchase or redemption, and on August 1, 1962, and on each August 1, thereafter, so long as there are shares of Preferred Stock outstanding, to deposit an amount which is equal to 3% of the aggregate par value of all shares of Preferred Stock issued and outstanding, unconverted, as of January 1, 1962.

Market fund—On each February 1 while shares of Preferred Stock are outstanding, the Corporation is required to apply a market fund to the purchase and retirement of the largest possible number of shares of Preferred Stock tendered to the Corporation at prices not to exceed $49.00 per share. The market fund so to be applied prior to February 1, 1962, is $196,000 and the market fund to be applied on February 1, 1962, and thereafter is an amount equal to 3% of the aggregate par value of the shares of Preferred Stock issued and outstanding on the first day of January immediately preceding.

7 LONG TERM AND OTHER COMMITMENTS

Certain properties are occupied by the Corporation and subsidiaries under long term leases. On June 30, 1956, the total minimum annual fixed rentals on such leases expiring after June 30, 1961, was approximately $645,000 per annum, and they had an average composite life of approximately six years from the latter date.

At June 30, 1956, subsidiaries of the Corporation had deferred payment contracts outstanding in the amount of $125,046 for the purchase of closing machines, which had been rented from can manufacturing companies on an annual rental basis in prior years. No consideration has been given to these contracts in the accompanying statements beyond the payments made prior to June 30, 1956, and at that date their remaining life was approximately three years.

A subsidiary of the Corporation is contingently liable under a continuing guarantee of loans of a joint venture of which the subsidiary is a party. The maximum guarantee is limited to $4,000,000; loans of the joint venture amounted to $2,650,000 at June 30, 1956.

accountants' certificate

To the Board of Directors and Stockholders of CONSOLIDATED FOODS CORPORATION:

We have examined the consolidated balance sheet of Consolidated Foods Corporation and subsidiaries as of June 30, 1956, and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of income and surplus present fairly the consolidated financial position of the companies at June 30, 1956, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois
September 5, 1956

F. W. LAFRENTZ & CO.
Certified Public Accountants

1632 COMMISSION EXHIBIT 4

A Tabulation showing total dollar volume sales by Gentry by years since April 1, 1951 through 1955 and separately for onion, garlic, chili powder and paprika.

Year Ending*	Ground Chili** (Inc. Chili Pepper, Paprika, Chili Pdr., Cayenne & Red Pepper)	Dehydrated Onion	Dehydrated Garlic	Total Sales
June 30, 1952	972,962.37	1,780,416.37	736,677.42	3,763,993.39
June 30, 1953	1,148,311.08	2,255,819.48	884,244.71	4,800,984.61
June 30, 1954	1,308,132.24	2,376,786.81	993,246.29	5,215,719.61
June 30, 1955	1,260,700.51	1,805,202.82	1,199,958.47	5,061,989.40

* Records of sales are maintained for fiscal years ending on June 30. For that reason, the sales figures set forth above show sales for years beginning on July 1, 1951, rather than on April 1, 1951 as requested.

** The only available records do not contain a breakdown of yearly sales of chili powder, chili pepper and paprikas.

1699 COMMISSION EXHIBIT 6

September 27, 1951

M. E. Atkinson
The New York "Unholy 15"

Dear Maury:

I am enclosing herewith a copy of a letter (in duplicate) received from Joe Farrell in reference to 15 accounts in the New York area, all of which use onion and garlic in one form or another, and represent for the most accounts with whom we are not doing business.

I suggest that you discuss this matter with Mr. Kennedy, leaving him a copy of the letter in the hope that he might

be able to do something from a top management level to help Joe along.

It is entirely possible that some of these accounts are not accounts that any of our divisions are doing business with, but in any event that can be ascertained after you have made contact.

Along these general lines, you will be interested in learning that Mr. Kennedy spent last Monday with us, prior to his return to Chicago, and he was very enthusiastic over the part he felt Consolidated Grocers could play in further broadening Gentry.

One of the great advantages we obtained from the Directors visit to the West Coast was sufficient time to "pump" into them the story of Gentry and to see that they made a more or less thorough inspection of Gentry facilities.

Mr. Kennedy himself is very enthused over the possibility of helping to increase our distribution in every way possible, and I know he will do everything within his power to see that some of these tough nuts are cracked.

He is such a very busy person and has so many things to do, we almost hate to presume further on his time, yet nevertheless that is the way he wants it, so by all means discuss this matter with him.

Some of these accounts we can do little if anything with —for example, perhaps Beechnut Packing Co., or even perhaps Pritchard, since they are located here on the Pacific Coast, but in any event, it will do no harm to discuss them all.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
cc: Joe Farrell

1701 COMMISSION EXHIBIT 7A-B

September 25, 1951
(Dictated 9-21-51)

To: Mr. Lloyd C. Bellisime
Subject: "The Unholy 15"

Dear Lloyd:

Below, you will find listed 15 accounts that, if possible, a letter from Consolidated Grocers Corp. would do us considerable good:

Max Ams. Inc.
(Airline Foods)
Linden, New Jersey

Beechnut Packing Co.
Canajoharie, New York

H. C. Brill Co.
Newark, New Jersey

Burry Biscuit Corp.
925 Newark Avenue
Elizabeth, New Jersey

John H. Dulany & Sons
Fruitland, Maryland

Gibbs & Co.
Baltimore, Maryland

Heublein & Bros.
Hartford, Connecticut

Jones Chambliss Co.
Jacksonville, Florida

Knickerbocker Mills Co.
New York, New York

National Biscuit Co.
New York (for special preference)

Parrish Bros.
Baltimore, Maryland

L. Pritchard, Inc.
Bridgeton, New Jersey

Smithfield Ham & Products Co.
Smithfield, Virginia

Southern Biscuit Co.
Richmond, Virginia

Phillips Canning Co.
Cambridge, Maryland

Most of these companies give us no business, preferring to buy from Basic as call reports will show. Heublein of Hartford, although they use fresh onion, and if you will look

at the latest C/R you will see that we have just sent them samples of our materials, still buy other products, such as Red Pepper, Paprika, Hontaka Chilies, etc., from other sources. Knickerbocker Mills Co. is a first class price "chiseler". Nothing is too cheap for Fred Jungbluth in the way of Chili, Red Pepper and Paprika. Onion and Garlic products, as you know, he buys from Basic.

We think a letter to some high official in National Biscuit Co. should get us special preference on these quarterly 25,000 lb. bids on paprika. As you know, we lost the latest bid to a competitor, who was 1¢ lb. under our price. They can always throw this business our way, even in view of the penny, on the basis of cleanliness, if they really wanted to. These bids are actually meaningless, and serve no other purpose other than to give them a good idea of what cheap paprika is selling for.

1703 Pritchard, Bridgeton, as we all know, has its headquarters in your fair state, and we have been taking an awful tossing around from Mr. Schiller, the buyer, as evidenced by past call reports.

If a letter were sent by the Chairman or President of Consolidated Grocers to the President of each of these companies, letting them understand that Gentry is a division of Consolidated Grocers and whatever business they could give Gentry would be appreciated, would help us considerably.

We would certainly follow up on these letters, and we are sure a lot of extra business would come as a result of these letters.

Sincerely,

Joe Farrell

P.S. We note that the list of Consolidated Grocers' vendors is not complete. There are many companies, that we know are buying from certain divisions, are not listed, such as Ritter, Phillips, and many others. It is with this in mind

that we ask whether a company by the name of Hi-Hat Food Products Co., Providence, R. I.—Mr. R. Armitage, President, is a vendor. They manufacture potato salads and use considerable Basic material. If you will refer to our last two or three call reports, you will see that this man is truly a miserable cad, never giving us any courtesy, browbeating us, for no reason at all. We would hate to think of this company ever getting any business at all from Consolidated.

We would most certainly appreciate hearing from you at your earliest convenience.

copied and sent to M. E. Atkinson
Chicago Office

1705 COMMISSION EXHIBIT 8A-B

GENTRY
A Division of
Consolidated Grocers Corporation

Oct. 3, 1951

To: L. C. Bellisime
Subject: "The Unholy 15".

Dear Lloyd:

We had a meeting today with Mr. Kennedy in which we discussed at considerable length the 15 accounts referred to in Joe's memo of September 25th, and we are transcribing a copy of this memo which you may wish to forward to Joe.

Knox Ams, Inc. (Airline Foods), Linden, N.J.—Mr. Kennedy states that this firm assured Gargley and associates, our public relations counselor, that they were "good friends" of Consolidated. At one time Gargley was considering taking on the Ams account and queried the Consoli-

dated office whether we had any objections. In any event the association of this prospective account with Gargley never came off. Mr. Kennedy states that the Lee Division of Kansas City purchases some of Ams products from their Goodwin plant at Louisville, Ky., and that this is the contact he will probably use in endeavoring to assist us in selling Ams.

Beechnut Packing Co., Canajoharie, N.Y.—John Sarther of Sprague-Warner's Cardinal Division informs us that Cardinal does not handle any of this firms baby foods. In fact, Cardinal handles the Gerber line exclusively, and we are using this situation in endeavoring to develop business with Gerber. Mr. Kennedy will investigate whether any other of our divisions are purchasing Beechnut products.

H. C. Brill Co., Newark, N.Y.—Mr. Kennedy would like further information on the products manufactured by this firm.

Burry Biscuit Corp., 925 Newark Ave., Elizabeth, N.J.—Mr. Kennedy states that Kenny and some of our other divisions are doing a nice volume business for this prospect. He will follow up accordingly, and he suggests that Joe mention this situation in calling upon the buyer for this firm.

John H. Dulany & Sons, Fruitland, Md.—Our Baltimore, Md., Columbus, Ohio, and Richmond, Virginia offices are handling this firms products exclusively. Ralph Dulany is a good friend of Mr. Kennedy and he will discuss this situation with him. He also suggests that Joe see Ralph Dulany the next time he calls on this account.

Knickerbocker Mills Co.—Mr. Kennedy knows of no purchases by the Consolidated Divisions from this firm, and since it is a bulk spice house, it would be necessary to develop further information on what products may be purchased from this prospect. This may be difficult to

determine, except insofar as Consolidated buyers may have revealed this as a source of supply to Joe.

1707 National Biscuit Co., New York—Mr. Kennedy states all of our divisions are doing an excellent business with this firm and that this is a factor which should be stressed in calling upon buyers. We noted Joe's remarks about loss of this firms paprika business to competition on a price basis, and we both felt that the Consolidated business in connection with Joe's idea of stressing cleanliness and possibly offering them a better grade of paprika, such as Royal or one of our Spanish grades, might be helpful. However, Mr. Kennedy will follow up on this matter in his usual excellent fashion.

Southern Biscuit Co., Richmond, Virginia—Consolidated Divisions also are purchasing from this division, and Mr. Kennedy feels that Kenny possibly is in a position to throw some of this business our way. This situation also should be stressed to the buyer for this firm.

Phillips Canning Co., Cambridge, Md.—Harry Green of Weinberg & Green, who is one of our attorneys, also is attorney for Phillips Canning Co. and Mr. Kennedy is writing Green for his assistance in selling this prospect.

With respect to the other prospects listed in Joe's memo, no further information is available at the present time, but you may be sure that Mr. Kennedy will follow up on them.

Wherever purchases by the Kenny division may be involved, Mr. Kennedy suggests that the man to wield the main assist is Russ R. Bohnlofink of the Kenny division. Both Mr. Kennedy and I recall having seen correspondence where Joe had discussed these problems with Mr. Bohnlofink before. In any event, Mr. Kennedy will call these prospects to Mr. Bohnlofink's attention again, and he suggests that Joe review the situation where Kenny may be involved with Mr. Bohnlofink again.

Nothing is known in the Consolidated Chicago office about purchases from Hi-Hat Food Products Co. of Providence, R.I. Therefore while it may be of slight satisfaction to Joe, we can assure him that apparently this firm is not receiving any business from Consolidated.

Mr. Kennedy also brought up the Ritter situation and stated that he understood that since George Clausen and I had discussed this account with him last May some business had been received. He would be interested in knowing whether this has actually come about.

Sincerely yours,

M. E. Atkinson

MEA:ir

1709 COMMISSION EXHIBIT 9

January 8, 1952

Joe Farrell

[Re:] Kurtz Bros.
Bridgeport, Pennsylvania

Dear Joe:

We have received a letter from Maury Atkinson in reference to a discussion with Mr. Bill Reilly of Consolidated Grocers Corporation, General Offices, Chicago, in which it is stated that in the future it would be very helpful in attempting to run an account down if you could supply the products being manufactured by such firms, and whether or not they are selling any divisions of Consolidated, and if so, the various divisions involved.

This would materially aid Consolidated's General Offices

in doing whatever they could towards seeing that the proper pressure was brought from the proper divisions.

If you can supply the information on behalf of subject concern, it will be helpful, and upon receipt of it here, we in turn will transmit it directly to Chicago. Even better, supposing you write directly to Maury on the matter, sending a copy of your letter to us here in Los Angeles for our files.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
cc: M. E. Atkinson

1711 COMMISSION EXHIBIT 10

GENTRY CALL REPORT

Salesman: J. Farrell Date: 11/20/52
Firm: C. D. Kenny Div. Consol. Groc Corp.
Person Contacted: Ed Bohnlofink

Dear Lloyd: I had a very long talk with Ed Bohnlofink relative to bringing several companies into line in the East. They were
F. H. Snow Canning Co, Pine Point Maine
Red Wing Canning Co Fredonia N.Y.
I. Miller Brocton N.Y.
Phillips Packing Co Cambridge Md.
Grocery Store Products Co West Chester Pa.
McCormick Baltimore Md.—

Ed's a man of action. I'll bet we get some action—What I'd like you to do is to write him a nice note, picking up my visit, and expand on McCormick situation. Confidentially, Ed gives McCormick between $75,000 & $85,000 business

annually. A good one, I'd say. Let him know about the O & G situation & that stinker Jones. — Jones caters to him. So does Charlie McCormick. Pour it on.—

1713 COMMISSION EXHIBIT 11A-B

November 24, 1952

AIRMAIL
Mr. Ed Bohnlofink
C. D. Kenny Division
Consolidated Grocers Corporation
1300 South Monroe Street
Baltimore, Maryland

Dear Mr. Bohnlofink:

We certainly appreciate the time you gave to our Eastern representative, Mr. Joe Farrell, when he had the pleasure of calling upon you last week.

We have read with a great deal of interest Joe's report following that visit, particularly in reference to our hope that you can help us with a number of accounts in that area, chief of which is the following:

F. H. Snow Canning Co. Pine Point, Maine	Red Wing Canning Co. Fredonia, New York
I. Miller Brocton, New York	Phillips Packing Co. Cambridge, Maryland
Grocery Store Products Co. Westchester, Pennsylvania	McCormick & Co. Baltimore, Maryland

In reference to McCormick & Co., we have supplied them a good part of the chili powder they have used in years gone by out of Baltimore, although we have not supplied their

total requirement. They have purchased in the general neighborhood of 100,000 pounds per year, which we think probably is about one-half of their requirements in the East.

We make the distinction of their requirements "in the East" because up to a few months ago they had an office and a plant in New York City which plant is now closed and all the buying has been transferred to Baltimore. That was their so-called institutional department, and we had not sold them in New York, the reason being that they wanted to buy about as cheap a chili as it is possible to produce, and as a matter of fact cheaper than anything we care to sell.

Also, they now have Schilling & Co., which is a divi-
1715 sion of McCormick & Co., in San Francisco, and we have for a number of years ground and sold a very special type of chili powder to the Schilling division. We already have Schilling's contract for the coming year.

At the present time, we do not have a contract with McCormick & Co. for 1953, but we understand from Joe Farrell, who called upon them in Baltimore, that they are currently in discussions on the subject within the company and will acquaint us with their desires as soon as they have made up their minds for the coming season.

We will keep you informed with the outcome of the Baltimore situation.

They have purchased considerable quantities of onion and garlic powders, both Coarse Grind material, for the manufacture of onion and garlic salts and, in addition, regular fine grind material for distribution to the manufacturing and processing trade.

While we have over a number of years supplied Schilling & Co. in San Francisco with these materials, we have not heretofore supplied Baltimore and all that business has been given to Basic Vegetable Products Company our chief competitor.

We have tried over the years to at least split the business in Baltimore but we have been unsuccessful up to this time.

I can assure you that your offer of cooperation among the accounts referred to is very much appreciated, and we will be deeply grateful for any help you can render on any of the accounts.

Sincerely,

GENTRY DIVISION
Consolidated Grocers Corporation
L. C. Bellisime,
Vice President

LCB:am
cc: Joe Farrell

1717 COMMISSION EXHIBIT 12A-B

March 2, 1953

Mr. Emil Kohut
Consolidated Buying &
Purchasing Offices
325 N. LaSalle St.
Chicago, Ill.

Dear Emil:

As much as I personally do not want to impose upon you, I have been asked to write you this letter in the hope of bringing about some help with respect to the following accounts with whom we have been totally unsuccessful in doing business with in the past:—

1. Quaker Oats Co., Chicago, Ill.—A company that manufactures the world's most popular dog food—Ken-L-Ration. They use considerable tonnages of Onion and Garlic powder and, despite many promises over the past

few years, have never given our company any consideration relative to business.

2. J. J. Gielow & Co., Detroit, Mich.—Here is a company that does a tremendous amount of business with Consolidated Grocers in the eastern division and right here in the middle-west on their pickles and pickle products. We have never been shown any consideration by this company whatsoever. Each year, religiously, they give all of their business to our direct competitor. Their plant manager in Adel, Georgia—Mr. Ribbick—is very partial to Gentry because, he claims, we have superior merchandise. However, he is always fought down by Mr. L. J. Gielow, their president in Detroit, Mich. Any help that you can give us here will greatly be appreciated.

3. Snow Canning Co., Pine Pt., Maine—With the exception of one order that we received a couple of years ago, we have never done business with this company before or since. They buy two cars of Onion and Garlic products per year from our direct competitor and we see a very dim outlook in the future for us relative to changing this situation. I understand that considerable canned soups are bought from this firm by Consolidated Grocers' eastern division and here in the middle-west, also. Any help that you can give us will be appreciated.

1719 4. Wixon Spice Co., Chicago, Ill.—Here is a company that has never shown Gentry any consideration in the past whatsoever, with the exception of buying a few bags of Spanish Paprika and Hontaka Chilies during the time when they were out of this material completely and our price was a bargain—they have never bought our Onion and Garlic or Chili. They give all of this business to our direct competitors—Puccinelli Onion and Garlic Co. and the Cal-Compack

(marketers of paprika, chili and Red Pepper). It is believed that Consolidated Grocers buys considerable quantities of spices, such as black pepper, white pepper, etc., etc. from this company. Any help that you may give us with this account will be appreciated.

It was indeed a pleasure to have met you at the Breakfast and I personally want to thank you for your past favors and, as you know, it is with hat in hand that we ask for consideration and help relative to the four accounts mentioned above. My personal thanks in behalf of our division.

Sincerely,

GENTRY, CHICAGO DIVISION
JOE FARRELL

JF:GES
cc: L. C. Bellisime
A. S. Pettit
M. Kraham
J. Farrell

1721 COMMISSION EXHIBIT 13A-B

March 2, 1953

Mr. S. M. Kennedy, Pres.
Consolidated Grocers Corp.
135 S. LaSalle St.
Chicago, Ill.

Dear Mr. Kennedy:

Speaking for my associates, Carl Sherrod and Marty Kraham, also myself, I want to thank you very kindly for the privilege of receiving your invitation to the Break-

fast. It was our one bright spot during the Wholesale Grocers' Convention.

It is truly written by the ancient Chinese that a polite note of thanks for previous favors is always followed by another such humble request and we, with hat in hand, are thereby asking for another favor. The following four companies have shown Gentry very little, if any, consideration in the past and our efforts relative to follow-up have been intense and, we think, rather intelligent; but we have not, as yet, been able to fair too well with these companies. They are—

1. Quaker Oats Co., Chicago, Ill.—Manufactures a considerable amount of Ken-L-Ration Dog Food, in which product they use very large quantities of Onion and Garlic powders. They are the world's largest manufacturer of dog food and have never given our company any business, despite many promises.
2. J. J. Gielow & Co., Detroit, Mich.—This company is a very large manufacturer of pickles and pickle products, with whom Consolidated Grocers does considerable business. Besides Kenny, I believe that one or two of the other divisions handle considerable tonnage of their merchandise. We have never done business with this company except spot orders that their Adel, Georgia plant has picked up from our Jacksonville warehouse, when they ran out of our competitor's merchandise.
3. Snow Canning Corp., Pine Pt., Maine—A company that sells, I believe, considerable quantities of their canned fish soups to Consolidated Grocers. Only on one occasion in the past several years have we ever done business with this company and it is to be noted that our competitor—Basic Vegetable Co.—is getting all of the Onion and Garlic business from this company now.
4. Wixon Spice Co., Chicago, Ill.—This company has never shown Gentry any consideration. They buy their Onion, Garlic, Chili, Red Pepper and domestic Paprika

K23

from Frank J. Fahrenkamp, who is a former salesman for Gentry and now a broker for the Puccinelli Onion & Garlic Co. of California and the Cal-Compack Spice Co. of Santa Ana, California. It may be pointed out that Consolidated Grocers buys considerable tonnages of spices from this company, such as black pepper, white pepper, etc., etc.

Any help that you may give us relative to the above accounts will truly be appreciated. With best and kindest personal regards, we remain

Most sincerely,

GENTRY, CHICAGO DIVISION
JOE FARRELL

JF:GES
cc: L. C. Bellisime
A. S. Pettit
M. Kraham
J. Farrell

1725 COMMISSION EXHIBIT 14A

CONSOLIDATED GROCERS CORPORATION

May 4, 1953

Mr. Geo. Clausen
Gentry Division
P. O. Box 2076
Terminal Annex
Los Angeles, Calif.

Dear Mr. Clausen:

The list of Gentry prospects was submitted by Martin Kraham and we have written all divisions as per letter attached.

We are hopeful that the results will be helpful. Regards.

Yours truly,

/s/ Stacey H. Gifford
bm
Stacey H. Gifford
Secretary

SHG:bm
Attch.

1727 COMMISSION EXHIBIT 14B

May 4, 1953

TO CONSOLIDATED DISTRIBUTING DIVISIONS

Our Gentry Division has an enviable reputation among many of the suppliers of our distributing divisions whom they are serving to the complete satisfaction of all parties.

Oftentimes, it is a great advantage to know when you are calling on a prospect, whether or not that prospect is a supplier of someone within your own organization. Everyone believes in reciprocity providing all things are equal.

Attached is a list of prospects for our Gentry products. We would like to have you indicate on the list whether or not you are purchasing any of your supplies from them. If so, indicate whether your purchases are relatively large, small or insignificant. It is not necessary for you to check your accounts for the amount of purchases but if you can indicate the approximate amount in round figures without trouble, it will be appreciated.

You can rest assured that pressure tactics will not be used nor will you be embarrassed in any way. Cooperation is a two way street and all of us realize that the improper use of the information you supply us could likewise be used to our detriment but let me assure you the utmost tact will be used by the Gentry organization.

As a salesman you know it's always very helpful to know everything possible about your prospect—just like a call or a letter of introduction from a mutual friend—that's the reason for this letter.

Will you please refer the list to the proper party in your organization. Because the details and exact information are not needed it should only take a few minutes to extend this courtesy to Gentry. If you have any special suggestions, as to how you could be helpful in properly presenting Gentry to any of those listed, it will be appreciated.

Please return the noted lists to the writer.

Thank you!

Stacey H. Gifford
Secretary

1729 COMMISSION EXHIBIT 14C

LIST #1

Glaser-Crandall Co.
2006 S. Western Ave.
Chicago, Ill.

Marhoefer Division
Kuhner Packing Co.
820 W. Fulton
Chicago, Ill.

George A. Hormel
Austin, Minnesota

J. G. Van Holten & Son. Inc.
Milwaukee, Wisconsin

Derby Foods, Inc.
3327 W. 47th St.
Chicago, Ill.

Great China Food Products
2520 S. State St.
Chicago, Ill.

Gibbs
Baltimore, Md.

Wixon Spice Co.
1705 S. Clark
Chicago, Ill.

Mother Hubbard's Dehydrated Soups
1108 S. Kedzie Ave.
Chicago, Ill.

M & C Foods
1822 N. Major
Chicago, Ill.

Cudahy Brothers Co.
Cudahy, Wisconsin

I. G. Grass Noodle Co.
6027 S. Wentworth
Chicago, Ill.

Min Sun Trading Co.
2222 S. La Salle St.
Chicago, Illinois

Sunshine Biscuit Co.
Long Is. City, New York

LIST #2

The following are accounts with whom Consolidated does considerable business and with whom Gentry could never get much cooperation.

Grocery Store Products Co.
West Chester, Pa.

Custom Foods
701 N. Western Ave.
Chicago, Ill.

Snow Canning Corp.
Pine Point, Maine

1730 COMMISSION EXHIBIT 15

July 28th, 1953

Mr. E. H. Bohnlofink cc: Lloyd C. Bellisime
Consolidated Grocers Corporation
1300 S. Monroe Street
Baltimore 23, Maryland

Dear Ed:

Many thanks for your letter of July 27th, in which you note that you do not do business with Snow Canning Company, Pine Point, Maine; Red Top Canning Company, Fredonia, New York; Grocery Store Products Company, West Chester, Pennsylvania; and Curtice Brothers, Rochester, New York. We truly appreciate all your help with McCormick and Company and Gibbs and Company and we thank you for putting on the heat periodically.

Two other companies that we could use some help from you on are:—

1. P. J. Ritter & Company, Bridgeton, New Jersey—Glenn Knaub, who is their General Manager, is a mighty nice fellow but he has a chemist who gives us all sorts of trouble. If they receive substantial business from you, we know that gentle pressure will help.
2. Habitant Soup Company, Manchester, New Hampshire —This is a company that we have received some business from in the past but very little in comparison to what they buy from our competitor.

Again our sincerest thanks for your trouble and please know that your help is appreciated by all concerned. With kindest regards and best wishes.

Sincerely,

GENTRY DIVISION
CONSOLIDATED GROCERS CORPORATION
Joseph Farrell

JF:es

1732 COMMISSION EXHIBIT 16

CONSOLIDATED GROCERS CORPORATION

July 27, 1953

Mr. Joseph Farrell
Gentry Division
Consolidated Grocers Corporation
125 Broad Street
New York 4, New York

Dear Joe:

I have your letter of July 15th, in reference to several accounts that we do business with.

We do not do business with these houses: Snow Canning Company, Pine Point, Maine; Red Top Canning Company, Fredonia, New York; Grocery Store Products Company, West Chester, Pennsylvania; Curtice Brothers, Rochester, New York.

I have spoken to the proper parties at both McCormick and Company and Gibbs and Company. Whether this will help, I do not know, but I shall continue putting the heat on periodically.

Sincerely yours,

/s/ Ed
E. H. Bohnlofink
General Manager

EHB/eb

1734 COMMISSION EXHIBIT 17A-B

October 29, 1951

M. E. Atkinson
[Re:] Gerber Food Products,
Fremont, Mich.

Dear Maury:

Your letter of October 22nd has been received and makes very interesting reading.

First of all we note that Gerber Baby Foods are sold in 1000 Cardinal stores and apparently that is perhaps enough pressure to see that you are very carefully considered as a source of supply for the materials going into the completed product.

Now we note that subject concern is contracted with Basic Vegetable Products Co. at 47¢ a lb. for onion powder f.o.b. Vacaville until December 31st, which is of course the price as it would apply prior to July 1st, provided of course that he bought in quantities of 10,000 pounds or more and received the f.o.b. purchasing plant price.

We note you would like to have a letter written and we suggest that you write the letter from Chicago stating that while this is 3¢ a lb. under our "current" list price, nevertheless contracts were entered into with a number of users. Further, they entered into such a contract with a competitive supplier and that being the case we in turn feel that our responsibility to be price competitive and therefore we will give him the benefit of such a contract price between now and December 31, 1951.

In reference to the matter of the California Vegetable Concentrates' relationship with subject concern, I have just had a telephone conversation with Joe Pardieck and learn that they are selling subject concern's Oakland plant and

have on hand an order for about 10,000 lbs. of celery scheduled to be shipped to them sometime during the next 30 days or so. In other words Joe Pardieck is now selling their Oakland plant celery powder.

Furthermore in discussing the Fremont plant with Joe, he tells me they can make delivery provided they have the celery and provided this, that and the other, and again it is one of those things where we put ourselves in the middle between the customer and C.V.C. we could find ourselves really quite in the middle.

We would be far better off to have Kimbell enter into direct contact with Joe Pardieck and make his arrangements for quantity, quality and shipment dates without Gentry serving as the go-between.

In the event he could do this and in the event he could come up with a satisfactory answer as to what stocks 1736 might be available from Pardieck then you know we would have no difficulty whatsoever in adding to any order Joe Pardieck might have the quantity of onion to make up to 30,000 lbs. of weight and as a result give this man the benefit of carlot shipments although he actually gets that as far as the 10,000 lb. quantity is concerned. In other words, from my standpoint this would have no bearing other than from a heavier car to load in the event he was unable to make shipping weight as far as the celery was concerned.

I doubt very seriously if we want to give him a special discount of 3¢ per lb. for buying a combination of 10 or 15,000 lbs. of onion powder and the balance or a like amount of celery because in the final analysis it is not the deal. In other words it would not be 30,000 lbs. as far as we are concerned.

I think Basic are entirely right in not giving this man the benefit of a 30,000 lb. quantity in the event he is buying products other than onion or garlic.

Further, I understand momentarily celery is not available and will not be until sometime in December and therefore we would have to quote him 10,000 lb. quantities on a stop-over basis at 47¢ f.o.b. Gilroy plus car lot freight to apply.

Your comments will be appreciated.

Sincerely,

L. C. Bellisime

LCB:ir

1738 COMMISSION EXHIBIT 18

GENTRY
A Division of
Consolidated Grocers Corporation

June 12, 1952

(Write to:
Ray B. Wakefield)

To: A. N. Prater
Los Angeles, Calif.

Subject: Gerber Products Company,
Michigan and New York

Dear Art:

Reference is made to your letter of April 30th concerned with an order that Chuck Strecker took for subject concern, delivery to their Rochester plant, of 5,000 lbs. of White Onion Powder per their specifications.

There is only one manner in which we can avoid further disturbance and trouble with this account with respect to their returning "objectionable" material, and that would be from the standpoint of manufacturing White Onion Powder per their "specs". You recall our conversation concerning

this account with respect to the contents of this letter in the past.

We are aiming to sell this account on the basis of a minimum of at least 50% of their requirements. This account does a very huge business with Consolidated Grocers, and one of their strongest talking points as to why they use Basic material is because Basic gives them merchandise that they find very acceptable.

This is one of the few accounts that we must tailor-make a product for, per their specifications. I believe it very necessary to let them know that from July 1st on, all materials that we sell them will be guaranteed to meet their specifications. You know what their "specs" are, per the rejection slip that accompanied the return of the 5,000 lbs. from Rochester, N.Y. Besides, this is one of the strongest talking points that we can use to overcome their arguments in favor of our competitor's material.

Sincerely,

GENTRY
/s/ Joe
Joe Farrell

JF:eg
(Write to Gerber (Wakefield?)
about methods in specs.)

1740 COMMISSION EXHIBIT 20A

GENTRY
A Division of
Consolidated Grocers Corporation

July 14, 1952

To: L.C. Belhsime
Subject: Gerber Food Products Co., Fremont, Mich.

Dear Lloyd:

With reference to your letter, attached, the following information, we believe, as reported by copy of letter to Mr. Kimbell of Gerber is self-explanatory.

This entire deal was all messed up and was not handled right in the first place. We are further taking this matter up with John Sarther and Mr. Kenhedy, to get us a better "shake of the dice" than we have gotten from this company. After all, as you know, Sprague Warner, as well as many of the other divisions, we believe, use Gerber's baby food products exclusively, so there should be no reason at all why Gerber Food Products should not use Gentry's material exclusively and we don't mean up to 50%, as has been tentatively promised us. We mean 100%. On a dollar for dollar exchange of business, I am quite sure that Consolidated Grocers buys at least $10 or $15 worth of material for every dollar's worth that they could possibly buy from us—maybe much more too.

Sincerely,

/s/ Joe per GES
Joe Farrell

JF:GES
Attachments

(HCS-TC
Waiting for (illegible word)
8/8/52)

1742 COMMISSION EXHIBIT 20B-C

July 14, 1952

Mr. M. D. Kimbell
General Purchasing Agent
Gerber's Baby Foods
Fremont, Mich.

Dear Mr. Kimbell:

This will confirm the text of our telephone conversation of last week.

This company intends to manufacture a white onion powder, fine mesh, for your very exacting specifications. Your specifications are known to our Dr. A. N. Prater. This material is to be processed out of new crop material, which, as you know, is made from the raw material harvested between the first of July and the middle of November.

Therefore, if we are to be privileged, and we do hope we will be, to serve the needs of your company with our white onion powder as per your very rigid specifications from date until June 30, 1953, it will be necessary for us to process this material during the months of July, August, September and, possibly, October. Around the first of November, our raw material stocks, as you can appreciate, begin to run very thin and, unless we manufacture your materials during this period of time, we will have nothing but our regular commercial white onion powder to sell, which may not be per your specifications.

We would, therefore, appreciate very much, Mr. Kimbell, if you would check your production figures for estimates of the next twelve months, with respect to your needs of onion products. We would further appreciate your letting us know the break-down as concerning the needs of the Rochester, Chicago and any other plants where you may

manufacture your fine baby foods. We will carry stocks of this material in our warehouses, subject to your commitments.

We are anticipating, momentarily, a 3¢ price rise on onion and garlic materials and, therefore, subject to your confirmation within a reasonably short period of time, we will guarantee the deliverance of onion products to your company up to and including December 31, 1952, with a price revision at that date, to cover your needs until June 30 1953.

1744 As per your suggestion, we are cancelling the orders that our Mr. Strecker, inadvertently, placed with our California office for a delivery of 5,000# of white onion powder to our warehouse in New York and 10,000# of new crop white onion powder to reach your Fremont, Michigan plant via pool car. This is being cancelled, per your suggestion, in order to await your production figures.

Be assured of the fact that we want to work very closely with your company. We feel very close to your merchandise, for the obvious reason that it is to be found in all of our various divisions for sale to the buying public. We, in Gentry, realize that Gerber's Baby Food Products are a wonderful line and we are happy to see them selling exclusively in the divisions of our Consolidated Grocers Corp.

At the moment, white onion powder, fine mesh, per your specifications, all white globe California material, is selling for 55¢ per lb., Chicago, or 50¢ per lb., Gilroy. In 10,000# stopcars, shipped direct to your plant, there is an approximate 2½¢ saving. In other words, it would cost approximately 52½¢ per lb. to bring the material to your Fremont or Rochester plants. Actually, this is a saving of about 4¢, because there is approximately 1½¢ freight charge, F.O.B. Chicago to Fremont, or F.O.B. New York to Rochester. In 30,000# quantities, and we would be glad to make a further concession to you in the interest of fully

co-operating with your company and this would be to offer you a price of 43¢ per lb. F.O.B. Gilroy, stop the car in Fremont for partial unloading and then terminate the car in Rochester and we would absorb the stop-over charge. In other words, we would split the 30,000# between your Fremont and Rochester plants at no extra charge to you. This is the lowest, possible price that our material can be bought for and we would protect you, guaranteed against price decline, until the thirty-first of December of this year, at the above mentioned prices, provided that we hear from you before the anticipated 3¢ price increase.

Again, it will be a pleasure and a privilege for our company to look forward to serving you.

Very truly yours,

GENTRY DIVISION
CONSOLIDATED GROCERS CORP.
JOSEPH FARRELL

JF:GES
cc: L.C. Bellisime

1746 COMMISSION EXHIBIT 21

GENTRY CALL REPORT

LCB—ANP

Salesman: J. Farrell Date: 2/23/53
Firm: Gerber Products Co.
Person Contacted: J. Kimball

Re recent letter from Kimball sent to ANP regarding specs for requirements of onion in the next year, do we have any WOP that will meet subjects rigid specs. Please write Kimball letting him know this as well as confirming text of my conversation with him to let us know his 1953-4 requirements on WOP on or about 7/1/53—

P.S. for your knowledge—confidential—this company gets almost all if not all the baby food business from Cons. Grocers. We got 15,000# WOP from them last year—about 30-40% of total requirements—Basic gets the rest.

1749 COMMISSION EXHIBIT 22

GENTRY
A Division of
Consolidated Grocers Corporation

August 14, 1953

(Gerber's Food Products
Fremont, Mich.)

To: Art Pettit
Subject: Attached Call Report

Dear Art:

In speaking with Art Prater while in Los Angeles, he mentioned that he did not receive a copy of the attached report. As Art will be on his vacation when this is received, we would appreciate your getting Joel Springer to make the necessary contact so that Gerber's Mr. Hudson would in turn get in contact with their laboratory.

Your prompt attention would be deeply appreciated.

Sincerely,

/s/ MARTY

1751 COMMISSION EXHIBIT 23

Att: Dr. A. N. Prater

GENTRY CALL REPORT

Salesman: M. Kraham Date: 7/24/53
Firm: Gerber Food Products
Person Contacted: Mr. Kimbell

Worked out tentative agreement for 30,000# of WOP to be used approximately as follows:—about 7500# to 10,000#, Rochester, N. Y.; 20,000# Fremont, Michigan. Their total usage is about 50,000#. But Kimbell, at present, would prefer having two sources of supply. In discussing the Consolidated Grocers angle, it was pointed out to me that they do give considerable business to Rosenberg Bros. Art Prater has the specifications for this account and he is to contact Mr. Larry Hudson at their Oakland, Calif. plant so that new samples can be submitted for their Lab's approval. Our WOP, last year, did not meet their specs 100% but it was close enough for them to use.

1753A COMMISSION EXHIBIT 24A-B

cc: Horace Gormley
A. N. Prater

GENTRY CALL REPORT

Salesman: Clausen Date: 2/24/54
Firm: Gerbers
Person Contacted: Dr. DeAlcuaz

This was mainly an introductory call since I had not met Dr. DeAlcuaz before. He mentioned he knew the Gentry

personnel very well and that he had seen Horace Gormley of Gilroy only a month ago. In discussing our Gentry WOP, he mentioned that he was receiving material which was consistently better than our own from competition. He did not name the competition. He said that it took more sampling to determine which lot would pass his particular requirements on onion powder when he worked with Gentry as against competition. He said that he had been assured by Gentry that due to new methods of production that we would be able to put a very superior powder out for him next week. He mentioned that the contracts was actually let in the East but that they were all contingent on his laboratory approval on specifications that he has already established.

He mentioned in his various fruit packs that he sends representatives to the actual packing plant and inspects the fruit as it is harvested, processed and shipped to Gerbers plant for final canning. Actually his requirements seem almost to the point of absurdity but they certainly must have their reasons for these things.

Dr. DeAlcuaz mentioned that he had recently visited with Nathan Cummings in San Jose and that he had told Mr. Cummings in effect that Gentry's material this year at least was not as good consistently as competition WOP. Mr. Cummings mentioned to Dr. DeAlcuaz that he should certainly give Gentry all consideration since Consolidated Grocers Corporation handled large quantities of Gerbers Products. Dr. DeAlcuaz mentioned that he would certainly be happy to do business with Gentry if he could get the product that he wanted.

1754 Dr. DeAlcuaz spoke very highly of the service that Joel Springer had rendered to him regarding samples, prices and general information.

1756 COMMISSION EXHIBIT 25

GENTRY CALL REPORT

Salesman: McGill Date: 5/6/54
Firm: Gerber Food Products
Person Contacted: M. D. Kimbell

Claims he has enough onion powder on hand until Fall packing. At this time promised to discuss our deal for 20,000# of WOP in late August or Sept. Said at that time it is almost a sure thing that we will get this 20,000# order. We also discussed Con Grocer picture and again Kimbell feels that we will get the Lion share of the WOP business in the future. However, did say we would never replace Basic entirely because of his desire for two sources of supply. Will contact again late in August.

1758 COMMISSION EXHIBIT 26

GENTRY
A Division of
Consolidated Grocers Corporation

May 1, 1953

To: Martin Kraham
Subject: J. J. Gielow & Sons
Detroit, Michigan

Dear Marty:

Yesterday we had the pleasure of having Mr. Bischman in the office, President of Reid Murdoch, and he tells us that he has just placed an order with Gielow for 200,000 cases of pickles, so from every point of view, Gielow should be very happy with Consolidated Grocers.

He tells us that about half of that quantity is for a Kosher Dill type, which will require a great deal of garlic.

I am passing this information along to you, because I think you will be very much interested in having the data the next time you talk with subject concern.

Sincerely,

/s/ Lloyd
L. C. Bellisime,
Vice President

LCB:am

1760 COMMISSION EXHIBIT 27

July 13, 1953

W. W. Kearney
[Re:] J. J. Gielow & Sons, Inc.
6600 Wyoming Ave.
Dearborn 1, Michigan

Dear Wally:

With reference to our conversation of yesterday, I had sold subject account 10,000# of 2/12½# White Onion Chips @ ,6088 and 10,020# of 2/15# Garlic Flakes. The original setup was for them to withdraw approximately 5,000# from the Chicago warehouse and the balance of 15,020# was to be shipped direct to their Croswell, Michigan plant. Due to the poor southern crop of cucumbers, they have thus far withdrawn 500# of White Onion Chips and have sent to our office an order for 5,000# of White Onion Chips and 5,000# of Garlic Flakes, but they neglected to include a shipping date on the last order. This still leaves 9,520# of material unaccounted for.

In my conversation with Les Gielow, I guaranteed to

meet all of Basic's terms. In other words, FOB Destination price was met and they received terms of 1%-90 days during fresh-pack season. We are attaching some correspondence, which is self-explanatory.

You might tell Les Gielow that we have discussed the situation with Mr. Bischmann, president of Reid Murdoch, and Gielow knows that back in April he received an order for 200,000 cases of pickles. Half of that quantity is for Kosher Dill. Let him know, in no uncertain terms, we are not happy at the switch and do not expect the old "Viennese Waltz" with reference to the order he placed with me in good faith.

I know that you can handle this situation and, from looking at your itinerary, it shouldn't be too much of a difficulty to shoot out there to make the call.

Kindest regards.

Sincerely,

Marty Kraham

MK:GES
Attachments
cc: Los Angeles

1762 COMMISSION EXHIBIT 28

LCB

GENTRY CALL REPORT

Salesman: J. Farrell Date: 9/10/53
Firm: Bedford Products Inc.
Person Contacted: Frank Colburn

Despite working with this company converting them from raw onions to WOC last August & getting the assurance from Bedford that we would get this business in the future, particularly because of their good relations with Consoli-

dated Grocers, we were told that all the WOC business went to Basic & all the Spanish paprika & GRP business went to Knickerbocker Spice Mills.

Please send a letter to Kennedy in Chicago acquainting him with these facts. —

Copy sent M. Kraham/am

1764 COMMISSION EXHIBIT 29

GENTRY CALL REPORT

Salesman: Schek Date: 1/29/54

Firm: Bedford Food Products, Inc.

Person Contacted: Mr. Buell Bedford—Frank Colburn

Had a lengthy conference with Buell, Bedford and Frank Colburn. They stated with some embarrassment that it was entirely an oversight that last year's contract of White Onion Chips went to Basic. We were assured that this year's needs will be exclusively filled through Gentry and that the same thing would hold for the future. However, they are under extreme handicap because of lack of manufacturing space, last year's production of chili sauce having been produced at the plant of Brown & Book at Westfield, New York. We left blank prepared contract for White Onion Chips and they will fill in the quantities needed, signing same and forwarding same to Los Angeles office as soon as they have their production schedule at hand. Kindly send to the attention of Mr. Frank Colburn, 1 sample of Regal Paprika, 1 sample of Ground Red Pepper 66 mesh and 1 sample of prepared pepper which Frank will forward to their chemist for examination. Frank told us that he personally will see that this business also goes to us as soon as these materials are being found equal to the customary quality received thru the Knickerbocker Spice Com-

pany, which should be easy to establish proof of the superiority of our items. In any case both Buell and Frank made the most profound apologies for last year's mix up and promised us that this condition will never occur again in the future. Incidentally, the above are flavored [sic] by a considerable amount of business thru Consolidated Grocers in Chicago.

1766 COMMISSION EXHIBIT 30

Lloyd Bellisime 8/23/54

[Re:] Les Pommiers Cannery, Inc.
Kingston, New York

Dear Lloyd:

Subject concern packs onion soup for Monarch. The volume involved amounts to 50 to 75 cases per week for a total of $12 to $15,000 per year.

They buy their onion flakes from Basic and as you say, Basic certainly has no divisions they can count on for business. Their attitude in placing this questionable order with us is not good business.

American Kitchen (N.Y.C.) packs for Sprague, and for your information, Allen Cummings took Henry Retheir of Les Pommiers in to see the Sprague buyer but it was found that they couldn't offer as attractive a deal as American Kitchen.

The Consolidated buyer who now handles the account is Allen Wolff. We will acquaint him with the facts to see what can be done. Hope this information helps.

Sincerely,

Martin Kraham

Copied for New York office

1768 COMMISSION EXHIBIT 31

August 25, 1954

Martin Kraham

[Re:] Les Pommiers Cannery, Inc.
Kingston, New York

Dear Marty:

Thank you very much for your letter of August 23, telling us that subject concern packs onion soup for Monarch and apparently uses 50 to 75 cases per week, or a total of $12,000.00 to $15,000.00 billing per year.

Thanks for the information on this score. We are sending a copy of your letter, as well as copy of this reply, to the New York Office.

From my point of view, it would seem that Consolidated Foods Corporation as such is buying some material from them—and that is certainly more than any other onion supplier is doing.

Thanks for your offer to help, and we will see what develops on this situation as you make contact.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
cc: New York Office

COMMISSION EXHIBIT 32

1770

GENTRY

A DIVISION OF
CONSOLIDATED FOODS CORPORATION
GENERAL OFFICES - 600 SOUTH TERMINAL ANNEX
LOS ANGELES 54, CALIFORNIA

October 1st, 1963

TO: A. S. Pettit - Los Angeles

SUBJECT: ROGIFF FOODS, INC. & FRUIT FOODS, INC.
TERRE HAUTE, INDIANA BALTIMORE, MARYLAND

Dear Art:-

We are in receipt of your letter of September 9th concerned with Wally Kearney's call report of September 3rd which states that Marcus of the Terre Haute plant had informed Wally that Pat Hoson of the Baltimore office was buying fill-in orders for White Onion Chips from Basic.

The reason for this was because that they seem to have been given a hard time on a reciprocal deal from C. J. Kennoy on their various products. I called Pat Hoson on the telephone and while he did admit he bought some Basic material under the heat of the situation, these materials were very small in quantity and nothing to talk about. However, he assured the writer that in the future, nothing but Gentry material would be bought for their Baltimore as well as their Terre Haute plants(Chicago please take note).

Please put 5 drums (100#) of Royal Lo-Bac Paprika into Baltimore. Also please let Pat know if we stock [illegible] drums of White Onion Chips in Chicago. He would like to have this information so that they can draw out of Chicago for reasons of convenience. Also because there is very little differential in cost.

As concerning Art Prater, please take note that Pat reports that the Lo-Bac Paprika is running high in bacteria again on the stocks in Chicago and Baltimore. Examination of the last 5 drums show the following counts:- 200, 100, 0, 300, 400. He claims that the count should be negative and at worst, shouldn't exceed 10. Would you please write to Pat Hoson in Baltimore on this matter at once.

Sincerely,

de Commission

Joseph Farrell

JF: cs
cc: Walley Kearney
cc: A. N. Prater

1772 COMMISSION EXHIBIT 33

GENTRY
A Division of
Consolidated Grocers Corporation
4/17/54

To: Lloyd Bellisime
Subject: J. L. Read
Streator, Ill.

Dear Lloyd,

Despite our efforts to satisfy Sam Hassan, he has contracted for his Paprika needs for the next 6 months. At no time did this fellow indicate that he wasn't satisfied with the type of Paprika we were supplying him with. In view of the fact that Con Foods represents J. L. Reads largest user, I personally think that Hassan's attitude has not been very cooperative. I am in a position where I can put the pressure on him in order to recoup this business but I will (down boy) await your advice before I do so.

To give you a complete picture of the account—they buy our WOF, and occasionally WOP & COGP. Basic, because of guaranteed lower bacteria counts, gets most of the WOP & COGP business. Keeping in mind the fact that Recipe Foods and Holsum Products, also cold pack manufacturers, use our powders very successfully, I think Hassan has taken too much of the company policy on his shoulders.

You say the word and I'll call out the hounds.

Sincerely,

/s/ Marty

1774 COMMISSION EXHIBIT 34

April 19, 1954

Martin Kraham

[Re:] J. L. Read
Streator, Illinois

Dear Marty:

Thank you very much for your letter of April 17, although we regret to read that subject concern has contracted his paprika needs for a six months' period.

I note further your comments to the effect that this organization sells considerable material to Consolidated and that you are in a position to bring pressure upon him from that point of view.

I am sure you have in mind the past correspondence which indicated that Joe talked to him on the telephone and secured an order, gathering some information at that time to the effect that he had been offered and had bought a better paprika from a competitive supplier than the material we had offered.

That is really hard to believe, although certainly we know it is possible, but from our point of view, it hasn't been indicated up to now that he wanted anything in the way of better quality.

In any event, we did send him a sample of a product having a Lovibond of 29, and paprikas just don't come any better than that.

I would certainly suggest that before you try to bring pressure to bear on the situation you have one further discussion with him in reference to the higher colored product sent. I can't conceive of anyone offering him a better colored product than that, and I would suggest that before you

"turn on the heat" you follow up the situation as to his reaction to the product.

I am enclosing herewith a cellophane sample of the type of material we submitted so that you may see that it is truly an outstanding product and have your own sample available for discussion when you meet him.

Sincerely,

L. C. Bellisime,
Vice President

1776 COMMISSION EXHIBIT 35

September 28, 1951

M. E. Atkinson

[Re:] Grocery Store Products Co.
West Chester, Pa.

Dear Maury:

We are enclosing herewith copy of call report slip of Joe Farrell, which is self-explanatory.

We note reference made to a letter to Mr. Ross from Cummings, and Cummings might not be the man to write such a letter. It could be Mr. Kennedy, or any one of the other divisions purchasing from subject concern. I suggest that you discuss this matter with Mr. Kennedy and find out his thinking and the relationship existing between other divisions of Consolidated Grocers, and who in his opinion should attempt to call this matter to Grocery Store Products Co.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
Encl.
cc: Joe Farrell

1778 COMMISSION EXHIBIT 36

December 12, 1951

M. E. Atkinson

[Re:] Grocery Store Products Co.
West Chester, Pennsylvania

Dear Maury:

Under date of September 28th, we sent you a call report slip made by Joe Farrell on subject concern, in which it was indicated that this organization is selling Consolidated Grocers and in turn is buying their onion from Basic.

Would it be possible to discuss this matter with Bischman of Sprague to find out whether or not they are buying anything from Grocery Store Products and with someone over at Reid Murdoch who can give you the same type of information.

If we could bring a little pressure to bear, it might be very helpful at this time, since this organization uses considerable material in the form of onion and perhaps even garlic.

We will look forward to your reply.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am

1780 COMMISSION EXHIBIT 37

December 26, 1951

M. E. Atkinson

[Re:] Grocery Store Products Co.
West Chester, Pa.

Dear Maury:

Thank you very much for your letter of December 20th, and we see where Mr. Wetzel, buyer for Sprague Warner, is going to write to Mr. Jack Ross, President of Grocery Store Products, asking him to purchase our materials.

We will be very much interested in the outcome of that situation and if you receive a copy of the letter Mr. Wetzel sends, we would appreciate your forwarding it along to us, so that we in turn may see what was said and pass on a copy to New York.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
cc: New York Office

1782 COMMISSION EXHIBIT 38A-C

GENTRY
A Division of
Consolidated Grocers Corporation

December 31, 1951
(1-4-52 wb)

To: L. C. Bellisime
Subject: Grocery Store Products Company
West Chester, Pa.

Kurtz Bros.
Bridgeport, Pa.

Campbell Soups
Camden, New Jersey

(6 cs 2/12½#
WOC
8/13—63¢)

Dear Lloyd:

With reference to your memo of December 26th relative to my advice that Glen Wetzel was going to write a letter to Mr. Jack Ross, president of Grocery Store Products, you will receive a copy of the letter that Mr. Wetzel writes direct, as I might be out of town and we would not want to delay you in receiving your information. I gave these instructions to Mr. Wetzel during our original conversation. I find on talking to him today that he has not yet written this letter, largely due to holiday business and preparation for the national Sprague-Warner sales meeting which was held here last week. He will however get off a letter to Mr. Ross within the next few days and you will receive a copy direct and so will Joe.

With reference to Campbell Soups, I discussed your very helpful memo on this subject with John Sawyer today and

he will make contact with Mr. Nixon through the Chicago Sales office, which will in turn contact Mr. Nixon in Camden. Will bear in mind your advice not to put too much pressure on here but nevertheless Mr. Sawyer can undoubtedly be helpful in bringing closer consideration from Campbell, particularly if we can supply them with data as their increased cost of using raw onion and garlic, which we undoubtedly can.

I have not been able to develop any information on Kurtz Bros. of Bridgeport, Pennsylvania, the firm referred to in your memo of December 26th, because no one at Sprague-Warner or at 135 South LaSalle Street seems to be familiar with this firm on the basis of the information that we have in Joe's memo of December 20th. However, it would appear that since Clark formerly connected with Kenny, that Kenny might be the contact division here; and Bill Reiley is writing the president of C. D. Kenny about this prospect.

This brings up an interesting point that Bill and I discussed at considerable length today. When the various salesmen and brokers write in on these reciprocity deals, it would be extremely helpful if they could mention the product manufactured by the prospect. It would also be helpful if they could mention specifically what Consolidated divisions are purchasing from the prospect. We realize that the latter information may not always be available, but undoubtedly the salesman is always familiar with the line of products manufactured by his customer. Please ask Joe to give us this information as soon as possible, pending advice from the Kenny Division.

1784

I made another suggestion to Bill Reiley, which he felt would be extremely helpful and profitable in obtaining business on an over-all reciprocity basis. At the present time, the only suppliers list that our main office has is the

alphabetical list of suppliers to which annual reports are mailed. There is no break down from this list of products manufactured by these suppliers or of the divisions who purchase their products. My suggestion to Bill was that we get such a break down from the various divisions, and he states that he will be perfectly happy to write the divisions to send in this information to the home office. This will permit us to take the initiative on a great many reciprocity deals here in Chicago, and when you and salesmen in the other territories want to spot-light a particular situation, we will then know what products are involved, what divisions are purchasing and what volume is involved. It would seem that the volume involved is a particularly important fact to have in mind, because it would enable us to give immediate qualitative evaluation to the situation and prevent our being caught in the middle between several suppliers who may be prospects for our products or who may be buying our products. In other words, we would know here in Chicago when to lay off pressure through the division or when it could be most profitably applied. However, before going ahead with this suggestion, we would appreciate your comments as to its over-all desirability and as to how we can narrow the requirements down so as to create a minimum amount of work for the buyers in the various divisions. In other words, we would want to mention the specific canned food products such as canned meats, catsup, and pickles, where our products are used, eliminating such products as canned peaches, coffee and non-food items as well.

Sincerely yours,

M. E. Atkinson

MEA:wb

1786 P. S.

Another advantage in having such a break down would be that it would involve a minimum amount of our time here in Chicago, as illustrated by our request for additional information on Kurtz and having to write another letter on that matter. It would also involve less of the time of the other men in the home office and in the various divisions.

M. E. Atkinson

1788 COMMISSION EXHIBIT 39A-B

January 8, 1952

M. E. Atkinson
Consolidated Grocers Corporation

Dear Maury:

We have received your letter of December 31st on the subject of Grocery Store Products, Campbell Soups and Kurtz Bros., all of which have to do with cooperation between the various divisions of Consolidated Grocers Corporation and Gentry.

Your point is extremely well taken to the extent that when we write you on a deal and ask you to contact divisions of Consolidated with the thought in mind of helping Gentry obtain part or all of the onion, garlic or chili business, we should supply you in addition the name of the firm, the items they manufacture, and the divisions of Consolidated they sell.

We are passing that along to Joe only, since apparently Joe is about the only one involved in any volume, and we will have in mind securing that information from other salesmen who write in on that subject.

That is an excellent idea and undoubtedly would help spot where business is being done, the volume, etc.

I also think your suggestion to the effect that we obtain from divisions of Consolidated Grocers a list of their present suppliers, products bought, dollar volume involved, and other pertinent data would prove extremely helpful to us, but on the other hand, it would be very difficult for Consolidated divisions to supply. Certainly, it would take considerable amount of work for them to secure such information.

Since, as you know, our distribution is quite extensive and since we do business with a very great number of organizations throughout the United States, many of whom undoubtedly sell Consolidated, why wouldn't it be just as well to handle this on an individual basis of accounts whenever the situation arose, rather than to try to secure the data in blanket form. In other words, take the example of Kurtz Bros. in Bridgeport, Pennsylvania: here is a situation where admittedly we did not secure enough information, but by the same token, would Bill Reilly be prepared to drop a letter to all divisions of Consolidated, asking if any of the divisions purchased any products from that organization, if so, what the products were, and the dollar volume and unit items, for the past 12 months. In the future, we will try to supply more data on that subject, having in mind that here they are shooting in the dark, but if we do go to the divisions for a list of all their principal suppliers, then we are shooting in the dark insofar as all of their principal suppliers are concerned. It would be helpful, but again it would be an awful lot of work, although we
1790 would certainly like the information, if it could be obtained.

In your P.S. you again refer to Kurtz Bros. and cite that as an example whereby time would be saved by having such a list; since Bill Reilly did not appear to know that firm, it is entirely possible that we are dealing here with a very obscure supplier which represents only a few hundred or

perhaps a few thousand dollars a year volume with all divisions. In other words, it might be inconceivable to expect a list that would go down as low as the Kurtz Bros. outfit might be volume-wise.

Once again, Maury, we would be very happy if they would be prepared to send us that data, but I am inclined to think that we would have considerable difficulty in getting it, in view of the amount of work involved.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am

1792 COMMISSION EXHIBIT 40

January 14, 1952

Mr. G. K. Wetzell
Sprague Warner, a Division of
Consolidated Grocers Corporation
901 West Division Street
Chicago, Illinois

Dear Mr. Wetzell:

We have received a copy of your letter of January 11, 1952, addressed to Mr. J. S. Ross, President, Grocery Store Products Company of West Chester, Pennsylvania, and we very much appreciate your cooperation in helping to expand our distribution.

We do have this organization under constant contact and we are quite certain that your letter will prove very helpful.

We are taking the liberty of sending a copy of your

letter, as well as a copy of this reply, to our New York Office, out of which Grocery Store Products is contacted.

Sincerely,

GENTRY DIVISION
Consolidated Grocers Corporation
L. C. Bellisime,
Division Vice President

LCB:am
cc: New York Office
Chicago Office

1794 COMMISSION EXHIBIT 41

January 14, 1952

Joe Farrell

[Re:] Grocery Store Products Company
West Chester, Pennsylvania

Dear Joe:

I am enclosing herewith copy of letter over signature of G. K. Wetzell of Sprague Warner who is on good personal relationships with the President of subject concern and who has written him on our behalf. The letter is self explanatory. Also attached is a copy of our reply.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
Encls.

1796 COMMISSION EXHIBIT 42

January 11, 1952
Our Ninetieth Year

Mr. J. S. Ross, President
Grocery Store Products Company
West Chester, Pennsylvania

Dear Jack:

We hear of you occasionally through our good friend, Charlie Maley. It has been quite a while since I have had the privilege of seeing you. I believe the last time was when we attended a luncheon together at the Drake a year or two ago. I trust the world is treating you well and that 1952 will bring you lots of health, happiness and prosperity.

You probably are wondering what this is all about, Jack, and I do want to point out to you that Consolidated Grocers do have a number of divisions, one of which is their Gentry division. As you may know they are producers of special seasonings, dehydrated onion and garlic and chili peppers, etc. They are very nice folks and have good products and asked if I would please bring it to your attention so they might get a hearing on the possibility of your using some of their products. I am sure they have a representative that travels down through your section of the country.

Would be very pleased to hear from you at any time, Jack, and if you do get out this way, give me a ring.

With kindest regards.

Sincerely,

G. K. WETZELL

Copied for Joe Farrell

1798 COMMISSION EXHIBIT 43

Mr. L. C. Bellisime

GENTRY CALL REPORT

Salesman: OHS Date: 6/11/52
Firm: Grocery Store Products Co.
Person Contacted: F. A. Brandow

Lengthy, cordial and significant visit. We are now sure to serve at least 50% of their onion needs. They are buying only Spec. WOF and there is in effect, at present, contract with Basic as of Jan. 1st, 1952 to Dec. 31st, 1952 for up to 45,000# at .60¢ X Cal. So far 28,000# were withdrawn via stop-car set up Basic—C.V.C., as Basic is now only serving them onions. Mr. Ross, their President, will return Monday from the coast and Brandow will discuss the extent of our sharing in the next contract, to be prepared about Oct. 1st, as this subject was already under consideration previously following correspondence between Mr. K. Wetzell and Mr. J. S. Ross.—I inquired if any WOP, which we considered to be the most logical product to use in the mfr. of Kitchen Bouquet, was ever experimented with. Brandow said he recalled something about such an experiment, but never heard anything more about it. Upon our polite request he called in their Technol. Dexter Mead for consultation. He stated that a recent test run was entirely satisfactory, in fact so much so that they were able to mfr. 2 times the volume because of facilitated filtering procedures, & quality control was satisfied as well. Surprisingly, because of other pressing matters the issue was never decided in favor of WOP since, but is still under consideration. Brandow will bring also this matter to Mr. Ross' attention to speed up action. If WOP enters into the picture as well, their onion needs will become considerably higher and should give us a minimum prospect of a car in 1953.

1800 COMMISSION EXHIBIT 44

June 16, 1952

Oscar Schek

[Re:] Grocery Store Products Co.
West Chester, Pa.

Dear Oscar:

Your call report slip of June 11 is very interesting and we are very glad to read that you have reason to believe that you will be able to split the business with this organization.

It is interesting to note the comments in reference to powder, and certainly powder should be a better product for their use.

We will watch the outcome of this situation with a great deal of interest.

Sincerely,

L. C. Bellisime,
Vice President

LCB:AM

1802 COMMISSION EXHIBIT 45A-B

GENTRY CALL REPORT

Salesman: OHS Date: 5/29/53
Firm: Grocery Store Products Co.
Person Contacted: F. A. Brandow

Unfortunately, Mr. Ross was out of town, as he was the key to all the confusion caused last year (i.e. dividing their contract as indicated in letter to Mr. Nat Cummings and then going back on their promise by placing it in its

entirety again with Basic.) We will have to see him in person, as Brandow professes that he acted upon Ross's instructions, although, all during the several discussions preceding their contract-issue, it was promised to us—We expressed our disappointment in no uncertain terms and indicated that their action was tantamount to an insult under the circumstances. Brandow, all apology, asked
1804 us to see Mr. Ross on our next visit, when he was sure the matter would be satisfactorily settled.

Hope to see again within 6 weeks; will report again at that time.—

1806 COMMISSION EXHIBIT 46

cc: L. C. Bellisime
A. S. Pettit
M. Kraham
J. Farrell

February 27, 1953

Mr. Glenn Wetzell
Consolidated Buying &
Purchasing Offices
325 N. LaSalle St.
Chicago, Ill.

Dear Glenn:

I was very pleased to have met and talked with you at our Breakfast, even though it was for a brief moment and I trust that we will see each other shortly, at which time I can personally thank you for the courteous co-operation you have rendered our division in the past. Along these lines, I would like to bring a thought to you relative to a letter that you sent to Mr. Ross, president of the Grocery Store Products Co. in West[illegible]hester, Penna. back in Janu-

ary of 1952. In this letter you introduced the fact to Mr. Ross that Gentry was now a division of Consolidated and that you would appreciate any consideration that he may care to extend in view of the fine business that his company is given by Consolidated Grocers. Mr. Ross' reply to you at that time was that he would certainly give Gentry considerable co-operation in the future.

Since that time, Glenn, we have done our best to sell this account. We have had three men call on them, including the writer, and we have always gotten a run-around. I have recently written to Mr. Ross, reminding him of his favorable response on this to your letter and I got a very clever, well-written, letter from him which said absolutely nothing. In view of the fact that we sincerely feel that we need help in this instance, we would appreciate any consideration that you or your office can throw in our direction. This letter is written to you with full knowledge of Mr. Kennedy.

Our sincere thanks to you for your past courtesies and co-operations.

Most cordially,

GENTRY, CHICAGO DIVISION
JOE FARRELL

JF:GES

1808 COMMISSION EXHIBIT 47

GENTRY CALL REPORT

Salesman: White Date: Mar. 9, 1955
Firm: Grocery Store Products Co.
Person Contacted: J. F. Gilmour

Jan. order for 10,000 lb WOC in units of 26⅜# went to Basic at "slightly lower" price. Gilmour states that even had we had equal price, would not have obtained business & went right back into song & dance we have been getting

here since 1950, i.e. Co. policy to have only one source of supply etc. Started from scratch with Gilmour & discussed 2 sources of supply; P & S unit & Gentry quality etc. & obtained his promise for what it's worth—to bring up policy for reconsideration this month.

1810 COMMISSION EXHIBIT 48

CONSOLIDATED GROCERS CORPORATION

March 23, 1955
(Dict. Mar. 21st)

Mr. Joseph D. Farrell
Gentry Division
Los Angeles, California

Dear Joe:

Thanks for yours of March 17. Have written Mr. LaMarche per the attached. He is Vice President and General Sales Manager. At the time of our visit will go into this matter completely with him to determine just what is necessary for you to sell his company. Will advise you the result of the conversation at that time.

Please keep me advised as to your progress with Hormel.

Regards.

Sincerely,

/s/ Robert H. Perlitz

Robert H. Perlitz
Vice President, Sales & Advertising
bm
Att.

1812 COMMISSION EXHIBIT 49

CONSOLIDATED FOODS CORPORATION

March 23, 1955
(Dict. Mar. 21st)

Mr. Frank L. LaMarche,
Vice President
Grocery Store Products Company
West Chester, Pennsylvania

Dear Mr. LaMarche:

I would like very much to discuss several matters with you or your representative in this area when convenient.

Will look forward to this visit.

Sincerely,

/s/ R.H.P.

Robert H. Perlitz
Vice President, Sales & Advertising
bm
CC Mr. Farrell—Gentry

1814A COMMISSION EXHIBIT 50A-B

cc: L. C. Bellisime
Oscar Schek
New York Office
Marty Kraham

March 17, 1955

AIR MAIL
Mr. Robert H. Perlitz
Vice President, Sales & Advertising
Consolidated Foods Corporation
135 South La Salle Street
Chicago 3, Illinois

Dear Bob:

You will recall, when I had the pleasure of talking with you in Kansas City, that one of the companies on which I solicited your generous help was the Grocery Store Products Company with headquarters in West Chester, Pa.

Quite frankly, Bob, this is a company that gives us no end of annoyance on every call that we make on their buyer. Every so often there is a change in purchasing agents and now they have a Mr. J. F. Gilmour. Despite the fact that we have received a multitude of promises from this company that they would split the business between their present source of supply and Gentry, it seems that their promises have all been in vain.

Our latest report from our salesman covering this situation states as follows. The last order went to the Basic Vegetable Company and the buyer stated that even if we had an equal price Basic would have obtained this business because they have been doing business with that account for many years, even though they fully recognize that our merchandise is easily as good or it may even be better.

It is understood that Consolidated Foods buys huge quantities of materials from the Grocery Store Products Company and, therefore, I wonder whether or not it would be at all possible for us to give these people the same sort of treatment when they call on us? We would
1815 very much appreciate your cooperation and any comments that you would care to make would be sincerely appreciated by the writer.

I want to thank you, Bob, for your letter of March 10th and your comments relative to your meeting with Messrs. R. D. Arney, Sales Manager for Hormel, Ralph Keller, General Manager Chicago Sales Operation and Ken Erbes. Many thanks for your efforts in our behalf.

With kindest personal regards,

Sincerely,

Joseph D. Farrell
Sales Manager

JDF:EM.
cc: Marty Kraham

Please follow up on this matter at your earliest convenience and see what you can do to help this situation along.

J.D.F.

1817 COMMISSION EXHIBIT 51

April 4, 1955

Oscar Schek

[Re:] Grocery Store Products Co.
West Chester, Penna.

Dear Mr. Schek:

Attached is a copy of correspondence from Robert H. Perlitz, of Consolidated's Chicago Office pertaining to the subject account.

Would appreciate your following up regarding this account so that I will know if any favorable results are forthcoming as a result of this meeting.

Sincerely,

Joseph D. Farrell
Sales Manager

jdf;em
ATT:

1819 COMMISSION EXHIBIT 52

CONSOLIDATED FOODS CORPORATION

April 20, 1955

Mr. J. D. Farrell
Gentry Division
Los Angeles, California

Dear Mr. Farrell:

On yesterday, had Mr. F. L. Lamarche, Vice President of Grocery Store Products Company, West Chester, Penna. in our office. Discussed with him the possibility of your supplying them with at least a portion of their requirements.

He very cordially stated that he would check into the matter and advise me as soon as possible.

As further information is received, will advise. Meanwhile, thought you might wish this advice in order that your representative in that area can follow through.

Regards.

Yours sincerely,

/s/ Bob

Robert H. Perlitz
Vice President, Sales & Advertising
als

1821 COMMISSION EXHIBIT 53

CONSOLIDATED GROCERS CORPORATION
March 31, 1955

Copied for O. Schek 5/9
en

Mr. J. D. Farrell
Gentry Division
Los Angeles, California

Dear Mr. Farrell:

Have checked with Mr. Al Lerner, director of purchases, and he advises that we are presently doing no business with either Brill or Arline Products.

We do a small amount of business with Grocery Store Products, Red Wing, Curtice and Clapp's.

If the occasion arises, we will make an effort to have them use your operation as a source of supply.

Please keep us informed. Likewise, any other suggestions that might be helpful to us in assisting you.

Sincerely,

/s/ Bob

Robert H. Perlitz
Vice President, Sales & Advertising
bm

1823 COMMISSION EXHIBIT 54A

Copied for O. Schek, 5/9 en

CONSOLIDATED FOODS CORPORATION

April 27, 1955

Mr. J. D. Farrell
Gentry Division
Box 2076
Terminal Annex
Los Angeles 54, California

Dear Mr. Farrell:

Attaching hereto copy of a letter received from Mr. Lamarche of Grocery Store Products Co., which is self-explanatory.

If there is anything that we can do further from here, please advise.

Regards.

Yours sincerely,
/s/ Bob

Robert H. Perlitz
Vice President, Sales & Advertising
als
attachment

1825 COMMISSION EXHIBIT 54B

Copied for O. Schek, 5/9 en

GROCERY STORE PRODUCTS CO.
West Chester, Penna.

April 25, 1955

Mr. Robert H. Perlitz, Vice President
Consolidated Foods Corporation
135 South LaSalle Street
Chicago, Illinois

Dear Mr. Perlitz:

Confirming our conversation of last week, as I stated then I was not familiar with the buying of dehydrated vegetables as my efforts are confined entirely to sales. However, I have had an opportunity to check up with the purchasing department, and the story seems to be that for years Basic have worked very closely with our production department—in fact, made it possible for us to get several of the vegetables which had previously not been available, with the result that as long as Basic is completely competitive and able to give us the quality and service they have been, it is felt that due to the help they have been to the production department, they should continue to get the business.

However, I am happy to report that the sale of Kitchen Bouquet—the product in which we use the vegetables—is growing steadily and in the not too distant future they should have a second source of supply, and I feel certain that Gentry will be given serious consideration. In the past, Gentry's prices have been slightly higher, according to our purchasing department.

Sincerely,

(Signed) Frank Lamarche
Vice President

FLLamarche
JEP
als

1827 COMMISSION EXHIBIT 55

Copied for O. Schek, 5/9 en

CONSOLIDATED FOODS CORPORATION

April 27, 1955

Mr. Frank Lamarche
Grocery Store Products
West Chester, Penna.

Dear Mr. Lamarche:

Thank you for your prompt follow through following our recent conversation here in Chicago.

Surely appreciate your interest and trust that our Gentry Division will have occasion to be a supplier of yours in the near future.

Will appreciate any suggestions you can pass on to us any time that will assist us in furthering the distribution of your fine products.

Yours sincerely,

Robert H. Perlitz
Vice President, Sales & Advertising
als
cc: Mr. J.D. Farrell
Gentry Division

1829 COMMISSION EXHIBIT 56A-B

cc: L. C. Bellisime
A. S. Pettit
Oscar Schek
New York Office
Marty Kraham
Chicago Office

AIR MAIL May 9, 1955

Mr. Robert H. Perlitz
Vice President, Sales & Advertising
Consolidated Foods Corporation
135 South La Salle St.
Chicago 3, Illinois

Dear Bob:

For one thing, I want to express my sincere appreciation for the very fine cooperation that you have given our company in the direction of matters concerned with the Grocery Store Products Company, Red Wing, Curtice, Clapp's. We understand that we are doing no business with either Brill or Arline Products.

With reference to the letter which you received from Frank Lamarche, Vice President in Charge of Sales with the Grocery Store Products Company, I would say that in essence the text of his letter is adulterated with a distortion of facts. For your knowledge, this company has promised Gentry business for three years, and I think that you will find that this is a long time in a young business such as ours. We have been promised some business, on at least two or three occasions, by the President of this company; in fact, it was Gentry and not Basic who designed a special type of onion flake for this company that was responsible

for their reduction in price of five cents a pound. The Basic Vegetable Company never made the suggestion to them—we did—and in thanks for same we got the assurance of at least half their business, but we have yet to receive the first portion of their business outside of an initial test order for one drum of 100-pounds of these onion chips, which were found to be very satisfactory—however, our competitor got the business.

This has strictly been a case of where the buyers have used their prerogative to be absolutely as onery as possible in their promises to our organization. And, when Mr. Frank Lamarche mentions that in the past Gentry's prices have been slightly higher than competition, according to
1831 their purchasing department, this is a complete distortion of the truth. Our prices at no time have ever been any higher than those of our competitors, and should they have been higher at the time of a price change by our competitors, we quickly changed to their price. So, I would frankly say that it would help us immeasurably if it could be told to this company that if they don't feel that our merchandise is good enough for them, then, frankly speaking, their merchandise is not good enough for us.

This is one company that has absolutely gone out of its way to adulterate the truth with a lot of distortions and as men engaged in sales, such as you and I, we both do not like this type of treatment. If a company does not want to buy from us, they should tell us such, but when they give us a lot of promises from the President on down and then go out of their way, right up until the last moment, to keep us in suspense and finally give this business to our competitor, I think that you will appreciate the situation that we have with the Grocery Store Products Company.

Needless to say, any further cooperation that you can

give us relative to this company to remind them of the facts as outlined in this letter will be sincerely appreciated.

With reference to Red Wing, Curtice and Clapp's, we have never done any business with these companies that I can recall offhand, with the exception of Clapp's and that only to a very small extent, and any help that you can give us, believe me, will be appreciated—and well needed too.

Again, my very humble thanks for your fine cooperation. We only hope we can reciprocate.

Sincerely,

Joseph D. Farrell
Sales Manager

JDF: em
cc: Oscar Schek

The attached correspondence is for your follow-up. We do hope that we can get some business in here sometime in 1955. Please keep us informed as to your progress.

J.D.F.

1833 COMMISSION EXHIBIT 57

CONSOLIDATED FOODS CORPORATION

May 17, 1955

Mr. Joseph D. Farrell
Gentry Division
Box 2076
Terminal Annex
Los Angeles 54, California

Dear Mr. Farrell:

Have yours of May 9th. Regret to note the apparent "double talk" that seems to be going on with Grocery Store Products.

Had occasion to discuss this matter with Mr. Bellisime.

Am writing Mr. Lamarche further with reference to this to determine if this resistance cannot be broken down.

If you have any further suggestions as to how we might assist, please advise.

Yours sincerely,

/s/ Bob

Robert H. Perlitz
Vice President, Sales & Advertising
als

1835 COMMISSION EXHIBIT 58

CONSOLIDATED FOODS CORPORATION

May 17, 1955

Mr. Frank Lamarche, Vice President
Grocery Store Products Co.
West Chester, Penna.

Dear Mr. Lamarche:

Upon receipt of your letter of April 25th, I have discussed the matter further with our Gentry Division.

On your next visit to Chicago, would appreciate the opportunity of visiting with you further on this matter.

Regards.

Yours sincerely,

Robert H. Perlitz
Vice President, Sales & Advertising
als
cc: Mr. Joseph D. Farrell

1836 COMMISSION EXHIBIT 59

Mr. Robert H. Perlitz
Vice President, Sales & Advertising
Consolidated Foods Corporation
135 South LaSalle Street
Chicago 3, Illinois

May 24, 1955

Dear Bob:

I personally want to thank you very kindly for your very gracious note concerning Grocery Store Products, dated May 17.

I note that you have written to Mr. Lamarche, asking him to stop in to see you when he is next in Chicago.

Relative to any further suggestions as to how you might assist, I do believe that the suggestion that Lloyd Bellisime made, when he was in to see you, and a letter that you should have received by this time, probably will augment any further thoughts that I incorporated in my letter of the 9th.

Needless to say, we are very appreciative of your courtesy, kindness and helpfulness. We do hope that this can bring us some business with Grocery Store Products.

Sincerely,

Joseph D. Farrell,
Sales Manager.

JDF:am
cc: L. C. Bellisime
Oscar Schek

1838 COMMISSION EXHIBIT 60

cc: L. C. Bellisime
Oscar Schek
Marty Kraham

AIR MAIL June 30, 1955

Mr. Robert H. Perlitz
Vice President, Sales & Advertising
Consolidated Foods Corporation
135 South La Salle St.
Chicago 3, Illinois

Dear Bob:

I take pleasure in letting you know that because of your efforts we were instrumental in being able to sell the Grocery Store Products Company in West Chester, Penna. about 10,000 pounds of our White Onion Chips.

All I can say, Bob, is many, many thanks. We truly appreciate what you have done for us and without your help we might have gone on for the next few years without any business from this company.

Since I am unable to shake your hand and thank you in person, would you be good enough to accept the sentiments expressed in this letter until we meet again.

Sincerely,

Joseph D. Farrell
Sales Manager

JDF:EM

1840 COMMISSION EXHIBIT 61

CONSOLIDATED FOODS CORPORATION

July 13, 1955

Mr. Joseph D. Farrell, Sales Manager
Gentry Products
Los Angeles 54, Calif.

Dear Joe:

Pleased to receive your letter of June 30, that you have obtained an order from Grocery Store Products.

Is there anything further that I might do to follow thru on this at this time? Likewise, Joe, is there any other concern that we might be helpful with now or at some future date?

Please advise. Regards.

Yours sincerely,

/s/ Bob

Robert H. Perlitz
Vice President, Sales & Advertising
als

1842 COMMISSION EXHIBIT 62

cc: L. C. Bellisime
M. Kraham
O. Schek

Mr. Robert H. Perlitz
Vice President, Sales & Advertising
Consolidated Foods Corporation
135 South La Salle Street
Chicago 3, Illinois

August 2, 1955

Dear Bob:

Please excuse this belated reply to your letter of July 13th which referred to our letter of June 30th which in essence stated that we were very happy to receive an order from the Grocery Store Products Co.

You mentioned, Bob, "Is there anything further that I might do to follow thru on this at this time?" and wondered if there was another concern on which you could be helpful now or at some future date.

All I can say, Bob, is an immeasurable amount of thanks for your past favors and we don't like to take advantage of a good thing too often. So, whenever anything comes up which might require some assistance, we will be more than happy to get in touch with you. We have any number of accounts that we could besiege you with but, as we mentioned above, we don't want to take advantage of a good thing.

I should like very much to wait until my next visit to Chicago to personally sit down with you and thank you for your cooperation. Believe me, it is very much appreciated.

With kind personal regards,

Sincerely,

Joseph D. Farrell
Sales Manager

JDF:EM

1844 COMMISSION EXHIBIT 63

CONSOLIDATED GROCERS CORPORATION

Mr. William Ritter, Jr. April 2, 1954
P. J. Ritter Co.
Bridgeton, New Jersey

My dear Bill:

After a wonderful vacation in Honolulu, I came home via Lakeland, Florida, so that I could deliver the convocation address before Florida Southern College, where they honored me with the degree of Doctor of Laws.

I understand that you have been buying your seasonings, such as garlic and onion, etc., from one of the competitors of Gentry, which company we control. It just seems to me that you and I, as good friends, should do as much business together as we can; therefore, may I take the liberty of asking if you cannot favor Gentry with all your needs in the field in which they are one of the top suppliers of the country. We know they are competitive from the standpoint of quality, price and service.

A copy of this letter is going forward to George Clausen, our Gentry President, so that he may instruct the proper people in the company to contact you in an endeavor to get the ball rolling.

On May 14, I am sailing for Europe on the SS. LIBERTE, this time taking my older son and his young wife. How about it, Bill? There are many pleasant memories of our last voyage, aren't there?

Yours sincerely,

/s/ NC

Nathan Cummings
mh
cc/Mr. G. E. Clausen
cc: Joe Farrell 4/13

1846 COMMISSION EXHIBIT 64A-B

The P. J. Ritter Company

April 13, 1954

Mr. Nathan Cummings
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago 3, Illinois

Dear "Doctor" Cummings:

Congratulations on your degree of Doctor of Laws. It is always a great honor to receive such recognition and I share your pleasure with you. I have been away myself a bit and possibly was in Florida at the same time you were. As a matter of fact I was in Lakeland on March 20th and it would be irony to learn that you were there on the same date.

I envy your forthcoming trip on the "Liberte" as it always gives me pleasant memories of our time together last year. I only wish I could be with you again.

I have checked into the matter of our purchases of seasonings and find that off and on we have been using Gentry Onion products for quite some years. Apparently there have been some ups and downs in service and quality over these years that have caused our business with them to vary. We tried the product last year and the quality was equal to our other suppliers. On the basis of last year's test we are planning larger purchases from them this year and this business will grow if the quality meets our standards.

You may think I am overstressing the uniformity and quality angle, but we have always had a very high standard and in some cases certain specifications for particular products that are hard to meet, and our Quality Con-

1848A trol people are very much on their toes. However,

aside from this, we have every reason to do more and more business with Gentry or any of your other associated companies.

If you expect to be in New York at any time between now and your sailing, please let me know and perhaps we can get together for an hour or so.

With kind personal regards, I am

Sincerely,

/s/ Bill
William H. Ritter, Jr.
President

WHR:ck

1849 COMMISSION EXHIBIT 65

CONSOLIDATED GROCERS CORPORATION

April 14, 1954

Mr. William Ritter, Jr.
The P. J. Ritter Company
Bridgeton, New Jersey

Dear Bill:

I am happy to acknowledge your letter of April 13th. Please put the "Doctor" in the cupboard and forget about him; I am still the same peddler of food and want to continue that way.

May I suggest that the Ritters come up to New York the day before we sail? Perhaps we can have a little farewell cocktail prior to our leaving on the 14th of May.

Regarding Gentry onion, I am sending your letter to Mr. George Clausen, President of the Gentry Division and a director of our company.

To show you that we are ever conscious of greater quality control and uniformity of product, we are now spending in excess of $300,000 for additional facilities for that very purpose, so that we may maintain our position of leadership in the industry.

I shall be at the Waldorf prior to sailing and if you decide to come up, please drop me a line indicating what time it will be convenient to have our visit.

Best regards.

Yours sincerely,

/s/ NC

Nathan Cummings
mh
cc/Mr. G. E. Clausen

1851 COMMISSION EXHIBIT 66A-B

AIRMAIL August 13, 1952

Miss M. Hall
Secretary to Mr. Nathan Cummings
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago 3, Illinois

Dear Miss Hall:

On Sunday, August 10, ot Mr. Joe Farrell, who is in charge of our New York Offic nd who has been spending a considerable portion of his tim in Chicago, had the pleasure of a chance meeting with Mr. Cummings. This occurred when both of them took a plane to New York and sat down by one another—eventually conversation disclosed who each is, and from the reports we have had, it was certainly a very interesting trip.

In any event, the matter of McCormick & Co. in Baltimore came up for discussion, and Mr. Cummings has asked that we write to you regarding some of the information in reference to McCormick in Baltimore, because at some future date he will sit down with Mr. Charlie McCormick and wants to have the overall situation.

Briefly, we supply McCormick & Co., Baltimore, with approximately 100,000 pounds of chili powder and 4,500 pounds of chili pepper per year (these figures are taken from last year's purchases; so far this year, they have been invoiced for 61,410 pounds of chili powder and 1,125 pounds of chili pepper). It is our belief that this is approximately one-half the quantity of their chili powder purchases in Baltimore.

In New York City, McCormick & Co. maintain a bulk spice department, and since they have complete independence of buying on at least chili powder, they enter into their own contracts with suppliers. We have not been able to do business with the New York Branch because they have been procuring their chili powder at prices lower than we care to quote. I have no question in my mind as to the accuracy of this information, because the New York Manager, a Mr. William Squires, is an individual I have known for an excess of ten years, and I would believe that what he tells us would be correct in this instance.

I know beyond a shadow of a doubt that the other approximate half of their chili requirement they buy in Baltimore is bought at less price than they pay us. The latter is very confidential information.

1853 They use substantial amounts of onion and garlic powders, flakes and chips which, presumedly, they procure in blocks of 30,000 pounds at a time. While we are definitely price competitive with their supplier, Basic Vegetable Products Company, nevertheless, they have always given the business to Basic.

Our relations with the Baltimore buyer, Mr. Richard T. Pilling, Jr., are excellent, but, nevertheless, we have not been able to change the account from Basic to ourselves. I would be inclined to think they use from 60,000 to 90,000 pounds of assorted onion and garlic products per year.

McCormick & Co. has a division in San Francisco, A. Schilling & Co., and we supply them all the chili pepper they use. Schilling & Co. uses as much if not more than does McCormick & Co., and our chili sales to Schilling run in excess of 100,000 pounds per year.

Schilling & Co. use onion and garlic powders, coarse grind material used in the manufacture of onion and garlic salt, and I believe, although we do not know accurately, we are getting at least one-half of the business. Our relations with Schilling are excellent.

Based upon an estimated short crop of chili in California this year, we believe that by January 1, 1953, these low competitive offerings will disappear from the market, and that no competitor will be able to offer McCormick & Co., Baltimore, any lower price than does Gentry.

Assuming that this comes about, it is entirely possible that we could, in the natural course of events, count upon a heavier volume of chili with the Baltimore plant.

In any event, we will appreciate very much whatever you can do to help us further in this situation, and we are particularly desirous of getting some of the onion and garlic business with Baltimore.

Sincerely,

GENTRY DIVISION
Consolidated Grocers Corporation
L. C. Bellisime,
Division Vice President

LCB:am
cc: Joe Farrell

1855 COMMISSION EXHIBIT 67A-B

[Geo—Please return]

CONSOLIDATED GROCERS CORPORATION

Mr. Charles McCormick
McCormick & Co.
Light and Barre Streets
Baltimore, Maryland

December 31, 1952

My dear Charlie:

It's a long time since I have had occasion to communicate with you, but having a roaming eye for further growth of our business, I inquired from our officers of the Gentry Division about the purchases being made by your good company when I was in San Francisco recently. The information given me, briefly, is as follows:

For last year we supplied you with approximately 100,000 pounds chili powder and 4,500 pounds of chili pepper, whereas this year you have purchased approximately 65,000 pounds chili powder and 1,200 pounds chili pepper. Our officers are of the opinion that this is about half of the quantity of chili powder purchases that you make in Baltimore.

The next and most important items that we supply as prime producers are onion and garlic powders, flakes and chips, and our management tells me that you use somewhere around 50,000 to 100,000 pounds of these products per year; yet we have not been able to take care of your needs.

Is there anything further that I might recommend to our management which would enable us to share in a larger portion of your business. We believe that we are competitive or we would not enjoy the large volume of business

that Gentry is able to do. Our sales have shown a steady increase each year since we took over the company.

I am also happy to tell you that your Schilling Division in San Francisco is doing a beautiful business with us and we hope to continue to merit it.

1857 It's a long time, Charlie, since we have had a visit together. Surely your travels occasionally bring you through Chicago. Won't you make it a point to drop me a note in advance and give me the opportunity to show you some of our Mid-Western hospitality?

This current holiday season is a rather difficult one for me because of the loss of my late wife but, fortunately, in the midst of my sadness, I count the blessings of our wonderful children and grandchildren, who have rallied around me and have been a tower of great strength.

I hope that you and all of yours are well and happy.

With best personal regards,

Yours sincerely,

Nathan Cummings
mh
cc/Mr.R.Tognazzini
Mr.L.Bellisime
(not shown on original)

1859 COMMISSION EXHIBIT 68

January 12, 1953

Mr. Nathan Cummings
Chairman of the Board
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago, Illinois

Re: McCormick & Co., Inc.
Baltimore 2, Maryland

Dear Mr. Cummings:

Please accept our sincere thanks for the copy of the letter of January 5 from Mr. Charles McCormick. We very much appreciate your keeping us posted with this matter.

We look forward with interest to the results of your meeting with Mr. Bud Weiser.

With kindest personal regards,

Very sincerely yours,

GENTRY DIVISION
Consolidated Grocers Corporation
L. C. Bellisime,
Division Vice President

LCB:am
cc: New York Office

1861 COMMISSION EXHIBIT 69

CONSOLIDATED GROCERS CORPORATION

February 6, 1953

Mr. L. C. Bellisime
Gentry Division
Box 2076—Terminal Annex
Los Angeles 54, California

Dear Mr. Bellisime:

I had a very pleasant and satisfactory meeting with Mr. Bud Weiser, as a result of which there is a possibility (I tell you this confidentially) that we may decide to sell our plant at Pierceton, Indiana, to the McCormick people. We expect them to come to Pierceton in the very near future to discuss the matter.

In the meantime, I think you will find Mr. Charlie McCormick, with whom I spoke a couple of weeks ago, in a very receptive frame of mind to favor Gentry, all things being equal—and that's about all we can ask of any good friend who is a customer.

Yours truly,

/s/ N. CUMMINGS

Nathan Cummings
mh

1863 COMMISSION EXHIBIT 70

February 18, 1953

New York Office

[Re:] McCormick & Co.
Baltimore, Maryland

Gentlemen:

I have had an interesting report from Mr. Nathan Cummings to the effect that he had a very fine interview with Mr. Bud Weiser of McCormick & Co., and during that interval he spoke of additional business coming to Gentry.

Mr. Cummings tells us that McCormick & Co. is in a "very receptive frame of mind" to favor Gentry with additional business (all things being equal) pricewise.

I doubt seriously if they are competitive pricewise on onion and garlic at this time, but at least this is something to have in mind the next time we effect a contact with McCormick.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am
cc: Joe Farrell, Chicago

1865 COMMISSION EXHIBIT 71

October 14, 1954

Oscar Schek

Dear Oscar:

[Baltimore, Maryland]

As you know, a year ago, we lost the McCormick business on chili powder because they planned to buy their re-

quirements from Ben Hur, a company that they took over in California. This year we have lost the Schilling business on the West Coast for the same reason.

Isn't it possible to steer Consolidated Foods business in Baltimore away from McCormick, especially on red pepper, paprika, chili, diced peppers, etc. We have discussed this by correspondence before, and I believe you were going to get in touch with Walter Fry on this matter.

It seems obviously foolish for Consolidated Foods in Baltimore to buy these materials from McCormick when 100% of their onion and garlic as well as chili in the east is bought from competition, and now with the loss of all the chili in the west, why should we cooperate with them 100% on their spices.

I would appreciate very much your contacting Walter Fry to see how much of this business we can divert from McCormick to Gentry. Certainly, we can give Walter a much better price than can McCormick, despite any year-end discount they may get from McCormick.

I would very much appreciate your comments on this matter as soon as is possible.

Sincerely,

Joseph Farrell,
Sales Manager

JF:am

COMMISSION EXHIBIT 72A-C

CONTKY CALL REPORT By _____ Date 4-28-52

Firm _____ Buyer _____

Person Interviewed Buyer By Phone _____ In Person _____

City _____ Zone _____ State _____ Broker _____ 4-28-52

_NEW Prospect
_NEW Account
_REMOVE from List
_Distributor
_Jobber
_Jobber-Packer
_Manufacturer
X Canner
_Meat Packer
_Packager
_Pickler
_Spice-Grinder

Still trying to contact Dr. Kline, the man in charge of Morgan's laboratory and as past reports will indicate, he is the man which has supposedly been responsible for our lack of onion and garlic and paprika business here in the past. By reporting to the purchasing and sales department here whom has attempted to help us, that our products were inferior to the Basic Vegetable Products onion and garlic and the other paprikas which they purchase. Dr. Kline was not available as he is making some sort of tests in the plant today. Mrs. Everfole advises me that there is nothing new that she can report from the laboratory. Dr. Kline still says that our onion and garlic is inferior according to the tests which they have made so they of course will not discuss purchasing from us. They are not now using paprika or red pepper, but they will be using ground red in comparatively small quantities, by that I mean one or two barrels and no doubt considerable quantities of catsup during the coming pack. For your further information they continue to buy Basic onion and garlic powder at last year's prices on a [illegible] basis. On my last visit here I offered to match Basic prices of course, but still

MAIL CALL REPORTS EACH DAY 1867

_NEW Account
_REMOVE from List
_Distributor
_Jobber
_Jobber-Packer
_Manufacturer
_Canner
_Meat Packer
_Packager
_Pickler
_Spice-Grinder

the laboratory is the fellow who is holding us out of business here now. We have brought pressure here through the medium of C. D. Kenny Division Columbus, Ohio branch and these people have been very helpful with us in an effort to assist us in obtaining business from Morgan. You will have in mind Morgan Packing Company does a great business and they freely admit this with C. D. Kenny. We have had Morgan make tests with our materials. We offered to meet prices, and we have done everything that I can think of now and the only program that I have in mind is to continue to contact regularly and continue to attempt to have Kline make further tests with our onion and garlic, if he will do so, and possibly some way, some day we will find a way to break this business. As I stated before my contacts here two and two just does not add up to four in this instance. I feel reasonably sure that there is some hidden factor, just what it is, I don't know, whether it is the purchasing department or the laboratory, but there is something other than quality and price holding us away from this business, because certainly there are no tests which they could make, either laboratory or under actual production that would

MAIL CALL REPORTS EACH DAY 1869

_NEW Prospect
_NEW Account
_REMOVE from List
_Distributor
_Jobber
_Jobber-Packer

show our products inferior to competitive items. We [illegible] to accept samples and quotations from us on paprika and red pepper when they are in the market for these two items.

Federal Trade Commission [illegible] 1871

1873 COMMISSION EXHIBIT 73

cc: L. C. Bellisime
Dr. A. N. Prater
A. S. Pettit
Carl Sherrod

Carl—Will be happy to follow up on same and would appreciate knowing how we do with this account from here on in. JF

Dr. Prater—The "nigger" in the woodpile here has been Dr. "Stinker" L.E. Kline who has claimed, per Carl Sherrod's conversation with the writer, that our materials were less flavorsome from a laboratory and production point of view than were Basic's.

November 7, 1952
(Dictated 10/31/52)

I believe that this is one lad that you will want to get to know. JF

Mr. S. M. Kennedy
Consolidated Grocers Corp.
135 S. LaSalle St.
Chicago, Illinois

Dear Mr. Kennedy:

In line with past conversations, I know it will be of interest to you to learn the following facts as concerned with the Morgan Packing Co. of Austin, Indiana.

We have just heard from our representative, Mr. Carl Sherrod, who has been endeavoring for a very long period of time to sell this account Gentry's dehydrated onion and garlic products and, possibly, paprika and red pepper. They

buy their onion and garlic requirements, and always have, from the Basic Vegetable Co.—Gentry's chief competitor. They buy their Spanish paprika and ground red pepper from competitive sources. Mr. Sherrod reports that we have sold them, in the past, one or two cases of onion and garlic powder to compare with Basic's material. The report was that our material has less flavor than Basic's material and this, as you know, is not so. There is not any company in the country to whom we take our hats off with respect to quality. We have laboratory reports to show that our onion and garlic products are far more pungent and flavorsome than what our competitor's materials are. They have given us an awfully hard time and, confidentially, a runaround.

It is our understanding that Consolidated Grocers buys very large amounts of their materials and it would be truly appreciated if you could effect some means by which we could sell this company our merchandise. They are one of the largest potential accounts that we have in our area.

Our kindest respects and our sincerest thanks for what help you may give us with this account.

Sincerely,

GENTRY, CHICAGO DIVISION

JOE FARRELL

JF:GES

1875A COMMISSION EXHIBIT 74A

From the desk of—
EMIL KOHUT

11/18/52

Mr. John Sarther—
Dear John—

Enclosed find letters with reference to Gentry and Morgan as per our phone conversation—

Regards,

/s/ EMIL

1876 COMMISSION EXHIBIT 74B

GENTRY
A Division of
Consolidated Grocers Corporation

November 7, 1952
(Dictated 10/31/52)

Mr. Emil Kohut
Consolidated Buying & Purchasing
325 N. LaSalle St.
Chicago, Ill.

Dear Mr. Kohut:

At the suggestion of Mr. John Sarther, president of Sprague Warner, we are writing you this letter to respectfully seek your co-operation.

There is a company in Austin, Indiana—Morgan Packing Co.—who has caused us much concern with respect to their lack of co-operation. A company who, on the other hand, enjoys very favorable relations with Consolidated Grocers Corporation.

Our salesman, Mr. Carl Sherrod, has been endeavoring for a very long period of time to sell this account Gentry's dehydrated onion and garlic products and, possibly, paprika and red pepper. They buy their onion and garlic requirements, and always have, from the Basic Vegetable Co.—Gentry's chief competitor. They buy their Spanish paprika and ground red pepper from competitive sources. Mr. Sherrod reports that we have sold them, in the past, one or two cases of onion and garlic powder to compare with Basic's material. The report was that our material has less flavor than Basic's material and this, as you know, is not so. There is not any company in the country to whom we take our hats off with respect to quality. We have laboratory reports to show that our onion and garlic products are far more pungent and flavorsome than what our competitor's materials are. They have given us an awfully hard time and, confidentially, a run-around.

It is our understanding that Consolidated Grocers buys very large amounts of their materials and it would be truly appreciated if you could effect some means by which we could sell this company our merchandise. They are one of the largest potential accounts that we have in our area.

Our kindest respects and our sincerest thanks for what help you may give us with this account.

Sincerely,

GENTRY, CHICAGO DIVISION
/s/ Joe Farrell
JOSEPH FARRELL

JF:GES

1878 COMMISSION EXHIBIT 75A-B

cc: Joe Farrell—New York Office
S. M. Kennedy—
Consolidated Grocers Corp.
Chicago, Illinois

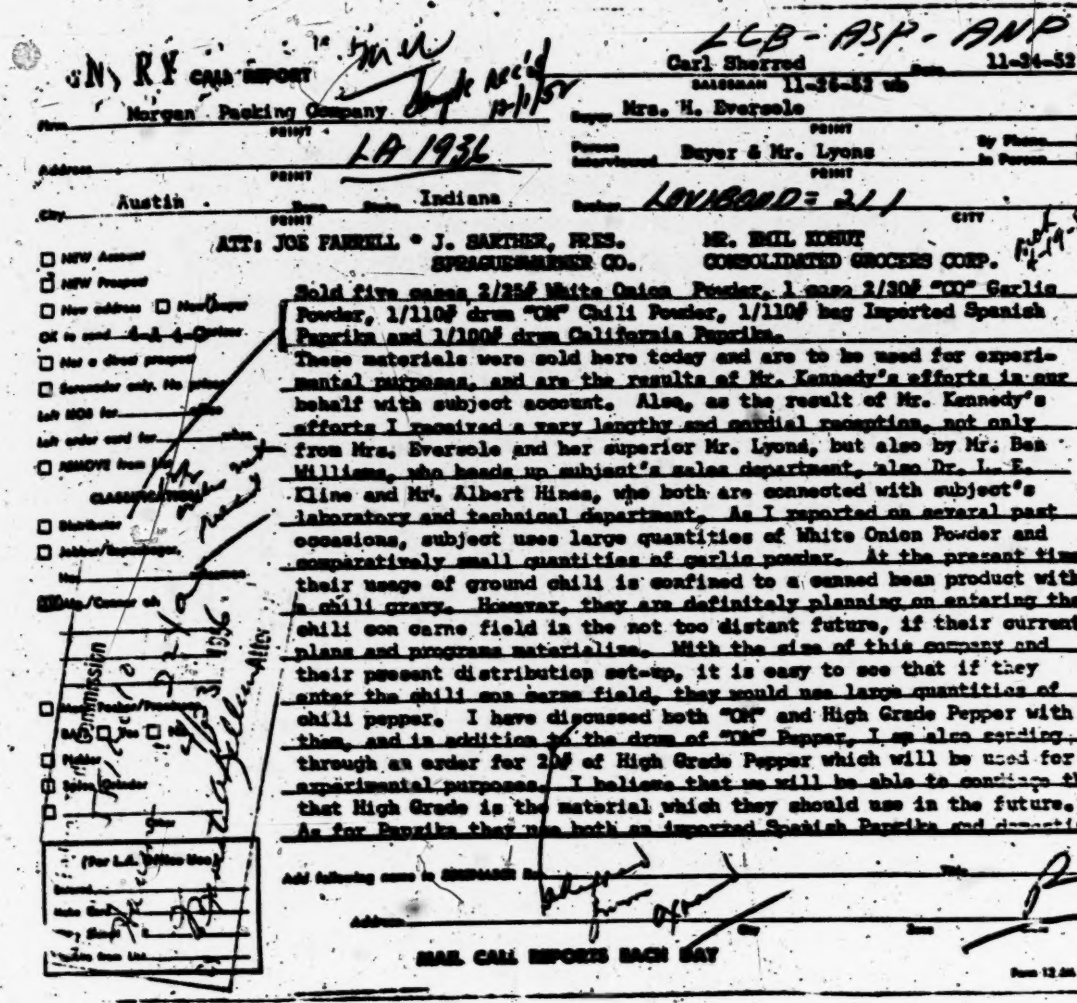
GENTRY CALL REPORT

Salesman: Carl Sherrod Date: 11/22/52
Firm: Morgan Packing Company
Person Contacted: Mr. Lyons

Earlier in the month, I talked with Joe Farrell via telephone at the Chicago office, and requested his assistance with subject account whom I understand supply large quantities of their canned food items to the Consolidated Grocers divisions. Joe immediately followed through on November 7 with a letter to Mr. Kennedy, who in turn, followed through and it appears with excellent results. Today I talked with Mr. Lyons of subject company by telephone from Cincinnati and he assures me that he will do everything possible to see that their company purchases onion, garlic, paprika and red pepper from us if our prices and quality are consistent with competitive material. I explained to Mr. Lyons the results of experiments made with our White Onion Powder and "CO" Garlic Powder which was purchased by his assistant, Mrs. Eversole, and subsesquently was rejected by their Dr. L. E. Kline. The reason given for the rejection was, that our materials were inferior in pungency to the Basic Vegetable Products material. There is no point in my going into the complete details on matters which I have previously reported, but I did explain to Mr. Lyons that there could not possibly be any grounds for this rejection. I was blunt in telling Mr. Lyons that we had no ax to grind inasfar as our competitor's materials are concerned, but that we

could not accept the statement as a true fact that our materials were inferior to our competitor's. Lyons in turn agrees that he thinks that there must have been an error some place, as he states he is of the opinion that certainly Gentry's materials would be equally as good or better 1880 than those turned out by anyone else. I also find one of the things that I believe has been true all along, that they have purchased onion and garlic from Basic since they first began using dehydrated, and that in view of this fact, it had no doubt been difficult for their people to make a change. To cut this report short, I have an appointment with Mr. Lyons Monday morning in Austin, Indiana, at which time he states that we will discuss our products again with his assistant, Mrs. Eversole, and with their Dr. Kline. My sincere thanks to Mr. Kennedy and Joe Farrell for their assistance with Morgan Packing Company, and so that they shall both know the results of future contacts, I will keep them advised by copies of my call reports on subject account.

COMMISSION EXHIBIT 76A



LCB - ASP - ANP

CALL REPORT

Carl Sherred — 11-24-52

SALESMAN 11-24-52 ab

Firm: Morgan Packing Company — Buyer: Mrs. H. Eversole

Address: LA 1936 — Person Interviewed: Buyer & Mr. Lyons — By Phone / In Person

City: Austin — State: Indiana — Section: LOVELAND = 21

ATT: JOE FARRELL • J. SARTHER, PRES. — SPRAGUE-SANBORN CO.

MR. EMIL KOSUT — CONSOLIDATED GROCERS CORP.

NEW Account
NEW Prospect
New address — New Buyer
OK to send 4-A 4-C letter
Not a direct prospect
Surrender only. No
Left SOS for
Left order card for
REMOVE from list
CLASSIFICATION
Distributor
Jobber/Representative
Chain/Corner ab
Meat Packer/Processor
Broker
Fielder
Sales Calendar
(For L.A. Office Use)

Sold five cases 2/25# White Onion Powder, 1 case 2/30# "OK" Garlic Powder, 1/110# drum "OK" Chili Powder, 1/110# bag Imported Spanish Paprika and 1/100# drum California Paprika.

These materials were sold here today and are to be used for experimental purposes, and are the results of Mr. Kennedy's efforts in our behalf with subject account. Also, as the result of Mr. Kennedy's efforts I received a very lengthy and cordial reception, not only from Mrs. Eversole and her superior Mr. Lyons, but also by Mr. Ben Williams, who heads up subject's sales department, also Dr. L. E. Kline and Mr. Albert Hines, who both are connected with subject's laboratory and technical department. As I reported on several past occasions, subject uses large quantities of White Onion Powder and comparatively small quantities of garlic powder. At the present time their usage of ground chili is confined to a canned bean product with a chili gravy. However, they are definitely planning on entering the chili con carne field in the not too distant future, if their current plans and programs materialize. With the size of this company and their present distribution set-up, it is easy to see that if they enter the chili con carne field, they would use large quantities of chili pepper. I have discussed both "OK" and High Grade Pepper with them, and in addition to the drum of "OK" Pepper, I am also sending through an order for 20# of High Grade Pepper which will be used for experimental purposes. I believe that we will be able to convince them that High Grade is the material which they should use in the future. As for Paprika they use both an imported Spanish Paprika and domestic

Add following name to SHERMAN Re: — Title

Address — City — Zone

MAIL CALL REPORTS EACH DAY

Form 12-Am

1953

COMMISSION EXHIBIT 76B

SN, RT case REPORT

By Carl Sherrod Date 11-24-42

SALESMAN

11-28-42 wb

From Montana Packing Company
FIRM

Buyer
FIRM

Address MAIL TAG
FIRM

Person Interviewed
FIRM

By Phone ☐
In Person ☐

City Austin State Indiana
FIRM

Broker
CITY

☐ NEW Account
☐ NEW Prospect
☐ New address ☐ New buyer
OK to spend ____ prices
☐ Has a direct prospect
☐ Surrender only. No prices
No trips to ____ office
Left only card for ____ when
☐ REMOVE from the
CLASSIFICATIONS
☐ Distributor
☐ Jobber/Repackager
Has ____ salesmen
☐ Mfg/Canner wh.
THICK MARKED + 2+1
☐ Retailer
☐ Chain Headquarters
☐ Yes ☐ No
☐ Buyer
☐ Sales Engineer
☐ Other
(2) L.A. Office Mail

paprikas. The use of the material, as well as the prices on each are governing and guiding factors in the quantities of each used. The order received today will be filled by the Chicago office with the exception of the domestic paprika. I have telephoned the order to our Chicago office, advising them that they will receive a confirming purchase order from subject company, whose truck will make pick-up in Chicago. As to the domestic paprika, I have obtained a sample of the current material, but I am unable to get the exact price, and the only information I have on the price, is that it is priced below our Royal and Regal Paprikas. The sample will be forwarded to Dr. Prater's attention by first class MAIL, so that we can determine which one of our products we should offer them. Also here is a request for some help from Dr. Prater's department. Please give Dr. Kline a color value on the sample of paprika which I am forwarding, as well as on the paprika which we sell, that is Regal, Royal, Fancy or Choice. If Dr. Prater will advise me which one of our grades of domestic is comparable to the sample, I will make arrangements for shipment or pick up from Chicago office of 1000 of our paprika. Also please give Dr. Kline a copy of the Gentry method of determining color value of ground chili products. I learned a little more today, Kline admits that past purchases of chili powder and paprika were made principally on a price basis, as they do not have the equipment for determining color values, nor do they use a commercial laboratory for this purpose, and further Dr. Kline was not even familiar with the Lovibond method. Upon advice from Mr. Lyons and Mr. Williams, I did not

Add following name to MAILING list ____ Mr. ____

Address ____ City ____ State ____ Date ____

MAIL CALL REPORTS EACH DAY

Form 42 Rev 9-42

159 1884

COMMISSION EXHIBIT 76C

...R KY CALL REPORT

By Carl Sherrod SALESMAN Date 11-24-53
11-24-53 wb

Mr. Norman Packing Company
Address PAGE THREE
City Austin State Indiana

Buyer
Person Interviewed
By Phone ☐ In Person ☐
Broker

☐ NEW Account
☐ NEW Prospect
☐ New address ☐ New buyer
☐ Has a direct prospect
☐ Surrender copy. No prior ok NEW Acct. other
☐ Left order card by ...

Confirmations
☐ Telephone
☐ Letter/Telegram
☐ Fax
☐ Mail/Courier etc.
☐ Phone Author/Processor
SAP ☐ Yes ☐ No
☐ Folder
☐ Sales Calendar
☐ ...

(For Lab Office Use)
Entered
Date Sent
Recall By By
Date Ret.

even discuss their laboratory's recent rejection of our onion and garlic materials with their laboratory, and I would suggest that we do not do so either by correspondence from the coast. Let's go along on the assumption that this is the first test that they have made of our onion and garlic and other products. In addition to the above discussed items, they also use ground red pepper in their catsup pack. One thing is certainly positive at this time. We have everyone of any consequence connected with Morgan Packing Company literally jumping up and down, especially their sales department in an effort to assist us in selling their production and purchasing department on using our products. This is unquestionably the result of Mr. Kennedy's assistance, as we have been unable to do much of anything with this user in the past. Mr. Lyons admits again today that it is his personal opinion that they have used Basic Vegetable Products onion and garlic since they began the use of dehydrated onion and garlic, so it is easy to see that this could be the reason that their purchasing department has been reluctant to change. They have been well satisfied with price, quality, service, etc., and this naturally enough creates a preverbal brick wall which we can too often run against. Now, for the Serenader list. I am not positive exactly which of these people are to receive the Serenader. Will you please make certain that the following people do receive it at the Morgan Packing Company at Austin, Indiana. Dr. L. E. Kline, Mr. Albert Hines, Mrs. H. Eversole, and Mr. Lyons. Naturally I shall keep you fully posted on the progress made, and I will be in constant contact with subject, both personally and by telephone frequently until they give us some sort of an answer or commitment on their experiments with today's purchases.

Add following name to SERENADER list. Title

Address City Zone State

MAIL CALL REPORTS EACH DAY

Form 12 AM 9-48

1:2 95 1886 F

1888 COMMISSION EXHIBIT 77

GENTRY
A Division of
Consolidated Grocers Corporation
December 2, 1952
(11-28-52 CS)

To: G. E. Clausen

Subject: Morgan Packing Company
Austin, Indiana

Dear George:

Yes, I have a copy of Joe Farrell's letter regarding subject concern to Mr. S. M. Trinity, and logically enough have followed through by personal contact with subject company.

During my time with the company I have been in regular contact with Morgan Packing Company, but have never been successful in obtaining more than sample orders. Somewhere along the line they have always managed to reject all of our materials, either on the basis of quality or price. This, of course as I have reported on numerous occasions didn't ever hold water. There has always been something that I have been unable to put my finger on that has kept us away from this business. But nevertheless. I suppose that now you are interested in this account again personally, you will be reviewing my call reports on recent contacts, both in person and by telephone, and you will see what we have accomplished.

There is no question in the world but what the trial order which I received this week was obtained as the result of Mr. Kennedy's efforts in our behalf through Morgan's

broker, Earl Roll of Chicago. Now if we don't obtain some business from Morgan, I am at a loss to know just what would do the job, because we have everyone of any consequence connected with Morgan interested in our products now. This includes Mr. Ben Williams who heads up their sales department, Mr. T. N. Lyons, one of their vice-presidents, their purchasing office, and their technicians. Fortunately in view of our current supply on onion pieces, subject uses only onion powder and garlic powder, so we should not realize any difficulty in taking care of the business if we should obtain it. They also use, as you know, paprika; red pepper, and comparatively small quantities of chili pepper.

As time goes by and I continue to follow through, naturally I will keep the office fully posted on results here.

Thanks a lot for your interest in the account. It has been a long time George since we had a personal visit. Why don't you come and see me sometime.

Personal regards,

Carl Sherrod

CS:wb

1890 COMMISSION EXHIBIT 78A-B

Mr. Carl Sherrod December 11, 1952

[Re:] (Morgan Packing
Austin, Ind.)

Dear Carl:

Many thanks for your letter of December 2, in reference to Morgan Packing Company.

Carl, when I was in Chicago about three weeks, I talked with Mr. Kennedy about this account. He mentioned the

large amount of business that Consolidated Grocers is doing with Morgan Packing Company and that the Morgan Packing Company expressed appreciation of their business and would like to reciprocate in buying onion and garlic products from Consolidated Grocers Corporation.

I really believe that this is the first sincere effort made to obtain Morgan's business and I believe now that you have made your call and obtained an order that we will have future business.

There might be one factor that should be explained, and that is the difference in opening prices versus current prices today. I presume that you have discussed this matter with the buyer and he understands why our prices possibly are higher at the moment than what they paid earlier in the season.

Keep in constant contact with this firm and make certain that the shipment goes satisfactorily. If it doesn't, let me know, and I will contact the Chicago Office again. We know that our merchandise is as fine a quality as anything offered by our competitors, and there is no reason for any objection by Morgan Packing Company.

In reference to red pepper, we are selling more and more of this item each year. At the present time, the California Packing Corporation, one of the largest packers in the United States, is buying all the red pepper from us, and we are shipping it clear to the East Coast, L.C.L. shipments. Likewise, we are selling red pepper to other large accounts in New York State, and there is no reason why we cannot sell red pepper to Morgan. One thing we guarantee, and that is, a uniform Scoville on our red pepper; also, they can depend upon the bite of this pepper to be the same in each shipment. Again, I repeat there is no reason why the paprika, red pepper, and chili pepper business

should be acquired elsewhere. So keep after this buyer and be personally informed about what is taking place.

1892 I'll try to see you sometime in early January, Carl.

Again, I am sorry that I have not had the opportunity of visiting you this past year.

With kindest personal regards,

Sincerely,

George E. Clausen,
President

GEC:am

1894 COMMISSION EXHIBIT 79

cc: A. S. Pettit
L. C. Bellisime
Carl Sherrod

Martin Kraham, Chicago Office

[Re:] Morgan Packing Co.
Austin, Indiana

Dear Marty:

Thank you very much for the information obtained in your June 10, 1953 memo on subject company and in accordance with this I will wait until I receive a copy of the letter which subject had sent to Allan Cummings who in turn forwarded it on to you. As soon as I receive this, I will be in telephone conversation with Morgan Packing Co. buyer in an effort to determine what is happening here. It looks as though Basic Vegetable Products is pretty mad about losing out on this good onion and garlic business and that they have made some price concession. If so, I'll endeavor to get the information by phone.

Thanks again Marty and I sincerely appreciate your help and interest.

Regards,

Carl Sherrod

CS:lnl

1896 COMMISSION EXHIBIT 80A-B

CC: LA Office
(ASP
Noted by LCB
KH)

(Original to
Kraham 3/19)

March 19, 1954 (Dictated 3/16)

Martin Kraham

[Re:] Morgan Packing Company
Austin, Indiana

Consolidated Food Buyers
Chicago, Illinois

Dear Marty:

A copy of your call report on Consolidated Food Buyers dated February 11, 1954 has just reached me. This delay was due to failure of the hotel in Alabama recently to forward mail and it has been returned to L.A. and then in turn forwarded on to me.

Any assistance which you can obtain for us through Consolidated Food Buyers in increasing our volume with Morgan Packing Company will certainly be greatly appreciated and I will attempt to give you as complete a picture here as possible so that you can pass the whole story along to Consolidated's buying office.

Subject has never been very cooperative or receptive to our offerings and prior to our merger with Consolidated Foods we did not do any business with them at all. Our materials were always rejected supposedly by subject's laboratory or buying office either due to quality being inferior or prices being too high. We of course know that this was tommy rot. After we received some help from Consolidated Foods office we did begin to sell them some material. We sold them a few hundred pounds of onion

powder and garlic powder and it was shortly after they had received their last order of onion and garlic that we received a complaint from them that our onion was partially caked in the cans. From their description of the caked condition I immediately went over to Austin as soon as possible and got with their chief chemist Dr. L. E. Kline and we opened 6 or 8/25# cans of our White Onion Powder and of course as would be expected found them all in perfect condition and Kline was forced to admit that this material was in good condition. We have not since that time received any onion and garlic powder busines from them and they are using onion and garlic from our competitor Basic Vegetable Products. This I am positive of because each time that I go over I see Basic's cans in the plant and in the laboratory.

Our prices are competitive with Basic, we know, and in fact I told this buyer—a Mrs. H. Eversole that at any time our prices were not competitive that she may adjust her prices automatically to meet competition from Basic. In fact at the time of my last personal contact here a few weeks ago we gave them in lieu of a contract which they do not like to sign a verbal and followed this up by written agreement to protect them at current prices or lower in case of a decline on both onion and garlic products through December 31, 1954. I was of course unable to obtain any business at that time or any commitments of future orders. The only answer that I got was they would consider us when stocks need replenishing. This of course is mighty thin, Marty.

1898 There is something very strange about the situation over there and I have never been able to put my finger on the reason but somewhere along the line for some reason they do not want to buy from Gentry. It then of course seems obvious that either in their purchasing office or their

laboratory or even possibly production, the latter I doubt, someone has a close connection with Basic Vegetable Products and in view of the business that Con Grocers gives Morgan this certainly doesn't seem logical or good business but nevertheless it does exist.

You will also have in mind that we do sell Morgan some Domestic Paprika, we do not have all of their business on this product. Their excuse has been that they never know whether or not we have the Regal or Fancy Paprika whichever they want in stock at Chicago Warehouse and that often times when they place an order with us we are unable to fill all of their orders. We of course are confronted with a ticklish situation here. They decline with the excuse that they are unable to estimate their requirements even closely on paprikas but on the paprika we can easily overcome that and I believe that we are on the road to it now. They are going to use Fancy Paprika in the future so their laboratory informs me and we have committed ourselves to maintain uniform product in this Fancy and that we would attempt to keep stocks in Chicago for them. It is my understanding from Art Pettit that we now have about 25/200# drums in Chicago and that we will attempt to out-guess them and keep stocks there all the time for them.

Another thing which you should have is the fact that the only time that I have ever received a really cordial reception at Morgans was after some assistance from Con Grocers in Chicago and at that time I contacted Mr. Ben Williams, a vice president of this company. At that time I was taken into his office and invited to sit down. He in turn called in Mrs. Eversole and we had a lengthy discussion. The result of that visit with the vice president in the company of Mrs. Eversole was a little onion and garlic.

Marty, I believe that will give you a rather complete picture in as far as Morgan Packing Company is concerned

and it will greatly appreciated if you will present the facts to the proper people in Con Grocers and solicit there for their assistance in obtaining more business from Morgan to which certainly our company is entitled.

Kindest personal regards.

Sincerely,

CARL A. SHERROD

CAS:ls

1900 COMMISSION EXHIBIT 81A-B

Stuart Curtis August 24, 1954

[Re:] Morgan Packing Co.
Austin, Indiana

Dear Curt:

Subject concern is a cannery that uses heavy poundages of our products and could use more. Mrs. H. Eversole is the buyer.

Consideration is shown Gentry because other divisions of the Consolidated Foods family stock the Morgan Packing Co. products and are heavy purchasers of same.

Subject concern is now purchasing our Regal Paprika from the Chicago Warehouse at a guaranteed price of 40¢ per pound, ex warehouse, price guaranteed through October 31.

The customer regularly has its own trucks make pick-up and takes out 25 to 50/200# drums at a time.

We never have been able to get advanced customer needs so that we could control our Chicago Warehouse stocks accordingly, and in view of this, there have been times when

the customer wanted to pick up 50/200# drums and there would only be one-half of that stock available, because we do not have any other customer drawing against the Chicago Warehouse that takes out as much as 25 or 30 drums at a time.

Right at this time, we have approximately 30/200# drums in the Chicago Warehouse and plan an additional stock in a Gentry car shipment from Oxnard, scheduled for early next week.

Subject customer also had expressed an interest in our Fancy California Paprika out of the Chicago Warehouse at our current list price. However, they never have withdrawn any.

Subject customer uses considerable poundages of WOP, Regular Grind, and COG Regular Grind, and we haven't been getting very much of this business. It is going to Basic. Our price to them at this time would be 46¢ either ex Chicago or fob destination, depending upon the competitive situation here, for the White Onion Powder, and they have a guaranteed price on COG regular grind of 77¢ per pound, ex Chicago Warehouse. However, in as much as this 77¢ price is less than our current list, 87¢ Chicago, less 10% in a 1,000-pound one-time shipment, there would be no 10% discount to apply against the 77¢ price.

1902 We also worked out a special chili powder for this customer, which we designated as "Morgan Special Chili Powder" which we were to pack 16 pounds to the bag, and a number of bags to a drum. It was our understanding that there would be 25 drums or 4,000 pounds of the chili powder as an initial quantity, and the price would be 38¢ per pound in 230# drums, fob Chicago Warehouse. That 38¢ per pound price is in the straight 230# drum. Packed 10/16# bags per drum, 160# net per drum, the price would be 39½¢

per pound, fob Chicago, usual terms, 1% 10 days net 30, would apply.

However, we have to have a firm reservation before we could carry a stock of this special pack in Chicago, as this would be a made-to-order product.

This is an account you should get over to see in the very near future, because we have no brokerage servicing here, and in spite of considerable business, we never have been able to build a very close relationship between Gentry salesmen and customer's buyers.

Sincerely,

A. S. Pettit

ASP:am
cc: Joe Farrell

1904 COMMISSION EXHIBIT 82

GENTRY CALL REPORT

Salesman: McGill Date: 1/14/54
Firm: J. G. Van Holten & Son
Person Contacted: Jerry Van Holten & Joe Hablick

Had a long talk with Jerry & Joe and could have had an order for 5 cs of GF but did not press it because we are off the market with this material. Basic has been in here very strong thru Milwaukee Spice, and they did not see any reason to change until I pointed out the Con. Groc. Corp. picture. Jerry's father who is owner will return from Florida in two weeks, and I will try and return to get contract for G.F. at this time. Jerry believes his Dad will sign, in view of our connection with Con. Grocers Corp.

1906 COMMISSION EXHIBIT 83A-B

December 30, 1953

Mr. Nathan Cummings
Chairman of the Board
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago 3, Illinois

Re: SMART & FINAL—IRIS CO.
4700 South Boyle Avenue
Los Angeles, California

Dear Mr. Cummings:

I have just reviewed the Gentry relationship with subject concern and note that we have done no business with them since January 1951 and even then it was only a sample order.

In view of the foregoing, we have reviewed the call report slips of our salesman who has been calling on this organization, and while the data would tend to indicate that we have been price competitive with their present supplier of onion and garlic products, we have not been able to get any business.

We would certainly have every reason to believe that quality-wise our material would compare very favorably with that of competition, so we would have every reason to believe that we have never been ruled out on a quality basis.

The buyer of onion has from time to time led our salesman to believe that business would be forthcoming but up to now, that hasn't been the case.

In the past, we have shown them our granulated onion and garlic glass packs which have received national acceptance at the institutional level and which are being distributed to cafes and restaurants nationally with excellent success,

and while subject concern has expressed interest in these two items, no business has resulted.

It is our thinking that they buy from Basic Vegetable Products Co.

In reference to chili, they use considerable quantities and while our salesmen have submitted what our laboratory believed to be as good or better material than they are currently using, we have been unsuccessful in doing business with them on these items.

In early November of this year, the buyer indicated that he had signed a contract with our competitor, Chili Products, for presumedly a year.

1908 The buyer reports that the contract he signed with Chili Products was ½¢ less than our quotation, and this, of course, could be true although the market has been very firm on chili.

Our desire in giving you this memorandum is not with the thought in mind of having you exert any pressure on their buying offices but knowing your excellent relationship with this organization, if you could help our cause along, it would be highly desirable.

We have a great appreciation for the merchandising ability of this organization and realize that there would be a very substantial volume, and from that point alone, we are highly desirous of being their supplier, price and quality being equal on items such as we manufacture and distribute.

Sincerely,

L. C. Bellisime

LCB:am

1910 COMMISSION EXHIBIT 84

CONSOLIDATED GROCERS CORPORATION

January 12, 1954

Mr. Lloyd C. Bellisime
Gentry Division
837 North Spring Street
Los Angeles 12, California

Dear Mr. Bellisime:

I gave Art Lutz your memorandum just as you handed it to me—so now the door is open for proper followup in connection with whatever the requirements may be at Smart & Final Iris.

Yours sincerely,

/s/ NATHAN CUMMINGS

Nathan Cummings
mh

1912 COMMISSION EXHIBIT 86

GENTRY CALL REPORT

Salesman: J. Farrell Date: 7/14/52
Firm: Libby McNeill & Libby
Person Contacted: R. E. Randall

Get nowhere with this boy. "Have 2 suppliers on O & G—and sufficient suppliers on chili—Why change?"—I've an appointment with Mr. Kennedy of Consolidated tomorrow—and if this outfit is selling them anything, there'll be some changes made!! Re attached note from ANP, they've made Chili-Spaghetti for 2 years—Not too popular.—

per pound, fob Chicago, usual terms, 1% 10 days net 30, would apply.

However, we have to have a firm reservation before we could carry a stock of this special pack in Chicago, as this would be a made-to-order product.

This is an account you should get over to see in the very near future, because we have no brokerage servicing here, and in spite of considerable business, we never have been able to build a very close relationship between Gentry salesmen and customer's buyers.

Sincerely,

A. S. Pettit

ASP:am
cc: Joe Farrell

1904 COMMISSION EXHIBIT 82

GENTRY CALL REPORT

Salesman: McGill Date: 1/14/54
Firm: J. G. Van Holten & Son
Person Contacted: Jerry Van Holten & Joe Hablick

Had a long talk with Jerry & Joe and could have had an order for 5 cs of GF but did not press it because we are off the market with this material. Basic has been in here very strong thru Milwaukee Spice, and they did not see any reason to change until I pointed out the Con. Groc. Corp. picture. Jerry's father who is owner will return from Florida in two weeks, and I will try and return to get contract for G.F. at this time. Jerry believes his Dad will sign, in view of our connection with Con. Grocers Corp.

1906 COMMISSION EXHIBIT 83A-B

December 30, 1953

Mr. Nathan Cummings
Chairman of the Board
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago 3, Illinois

Re: SMART & FINAL—IRIS CO.
4700 South Boyle Avenue
Los Angeles, California

Dear Mr. Cummings:

I have just reviewed the Gentry relationship with subject concern and note that we have done no business with them since January 1951 and even then it was only a sample order.

In view of the foregoing, we have reviewed the call report slips of our salesman who has been calling on this organization, and while the data would tend to indicate that we have been price competitive with their present supplier of onion and garlic products, we have not been able to get any business.

We would certainly have every reason to believe that quality-wise our material would compare very favorably with that of competition, so we would have every reason to believe that we have never been ruled out on a quality basis.

The buyer of onion has from time to time led our salesman to believe that business would be forthcoming, but up to now, that hasn't been the case.

In the past, we have shown them our granulated onion and garlic glass packs which have received national acceptance at the institutional level and which are being distributed to cafes and restaurants nationally with excellent success,

and while subject concern has expressed interest in these two items, no business has resulted.

It is our thinking that they buy from Basic Vegetable Products Co.

In reference to chili, they use considerable quantities and while our salesmen have submitted what our laboratory believed to be as good or better material than they are currently using, we have been unsuccessful in doing business with them on these items.

In early November of this year, the buyer indicated that he had signed a contract with our competitor, Chili Products, for presumedly a year.

1908 The buyer reports that the contract he signed with Chili Products was ½¢ less than our quotation, and this, of course, could be true although the market has been very firm on chili.

Our desire in giving you this memorandum is not with the thought in mind of having you exert any pressure on their buying offices but knowing your excellent relationship with this organization, if you could help our cause along, it would be highly desirable.

We have a great appreciation for the merchandising ability of this organization and realize that there would be a very substantial volume, and from that point alone, we are highly desirous of being their supplier, price and quality being equal on items such as we manufacture and distribute.

Sincerely,

L. C. Bellisime

LCB:am

1910 COMMISSION EXHIBIT 84

CONSOLIDATED GROCERS CORPORATION

January 12, 1954

Mr. Lloyd C. Bellisime
Gentry Division
837 North Spring Street
Los Angeles 12, California

Dear Mr. Bellisime:

I gave Art Lutz your memorandum just as you handed it to me—so now the door is open for proper followup in connection with whatever the requirements may be at Smart & Final Iris.

Yours sincerely,

/s/ NATHAN CUMMINGS

Nathan Cummings
mh

1912 COMMISSION EXHIBIT 86

GENTRY CALL REPORT

Salesman: J. Farrell Date: 7/14/52
Firm: Libby McNeill & Libby
Person Contacted: R. E. Randall

Get nowhere with this boy. "Have 2 suppliers on O & G—and sufficient suppliers on chili—Why change?"—I've an appointment with Mr. Kennedy of Consolidated tomorrow—and if this outfit is selling them anything, there'll be some changes made!! Re attached note from ANP, they've made Chili-Spaghetti for 2 years—Not too popular.—

1914 COMMISSION EXHIBIT 87A-B

GENTRY
A Division of
Consolidated Grocers Corporation

July 17, 1952

To: Joe Farrell

Subject: Libby, McNeill & Libby
Chicago, Illinois

Dear Joe:

We have for acknowledgment your call report slip of July 14, covering your call upon subject concern, and we note that you got nowhere with this buyer.

We have all had the same experience.

Please refer to the Chicago files, noting in there Art Prater's letter of June 26, addressed to the attention of John T. Knowles, Vice President of Libby.

The purpose and the reason for that letter was as follows:

I had a conversation with Joe Pardieck who told me that within the last thirty days he had had a conversation with Knowles during which time Knowles asked Joe if he were getting all the business on dehydrated vegetables from Libby. Joe stated that he had noticed a very definite pick-up in the volume going to Libby's, and while he didn't know whether he was getting it all, nevertheless the pickup had been quite substantial.

According to Joe, Knowles then advised that he had given orders to the boys in Purchasing to buy all their requirements from Joe.

Now Prater is equally as well acquainted with this fellow, Knowles, and one word from him can swing the business one way or another. Prater's letter was sent out with that in mind.

So far as I know, we have not had a reply, and this you may be certain will be followed up the next time Prater sits down with Knowles personally. One way or another, we will try to bring this account to a head.

Sincerely,

/s/ Lloyd
L. C. Bellisime,
Vice President

LCB:am

Dear Lloyd:

Our Chicago file shows no evidence of referred to letter. Please send a copy of it to me.—(Chicago Office). This must be handled as outlined above.

/s/ Joe

Let me know what I can do to help further—I spoke
1916 to Mr. Kennedy about this outfit. C. G. doesn't give too much business to them. However, what they do give is that much more than Basic & Puccinelli does.

1918 COMMISSION EXHIBIT 88

GENTRY
A Division of
Consolidated Grocers Corporation

January 11, 1952

To: Mr. Lloyd C. Bellisime
Los Angeles, Cal.

Subject: Phillips Packing Co.,
Cambridge, Md.

Dear Lloyd:

You will remember that upon suggestion as expressed in a letter written by Weinberg & Greene of Baltimore, Md. to

Mr. Kennedy of Chicago, we went to visit with the above on November 20th. Unfortunately, both Mr. Albanus Phillips and Theodore Phillips were out of town, and we had to discuss our business with their purchasing agent, Mr. Harris, and prevail upon him to relay our conversation to Mr. Theodore Phillips.

Knowing that the Phillips Packing Co. was awarded the recent Government bid for Meat and Noodles, we got in touch with Mr. Theodore by telephone to-day to remind him of our eagerness to serve them with the onion materials needed for the fulfillment of this contract.

At this point our friend pulled a switch by suggesting, that we take up the matter reciprocity at the next meeting with the folks in Chicago, and lobby in their behalf. We pointed out, that under the circumstances we should be rather embarrassed to substantiate our case upon request, as we hardly had been privileged to be of service in the recent past.

He told us he would seriously discuss their inventory vs. needs directly upon conclusion of our conversation with their Mr. Harris, and we would hear from them shortly with respect to an order.

This time we are quite certain to get action and expect a sizeable order, perhaps even a car, as such terms entered our conversation. Here's hoping!

With best wishes,

sincerely,

GENTRY NEW YORK DIVISION
/s/ Oscar

1920 COMMISSION EXHIBIT 89A-B

January 14, 1952

Mr. S. M. Kennedy, President
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago 3, Illinois

Reference: Phillips Packing Company
Cambridge, Maryland

Dear Mr. Kennedy:

You will recall sending us a copy of a letter from Weinberg and Green, 10 Light Street, Baltimore, Maryland, dated October 24, 1951, regarding the subject of Phillips Packing Company, Cambridge.

The gist of that letter was that Weinberg and Green had called upon Phillips Packing Company the week previous, and discussion was held with both Mr. Albanus and Mr. Theodore Phillips, with respect to their making purchases from Gentry. Both gentlemen at that time indicated a willingness to try to give Gentry additional business. They appeared also to be very anxious to do more business with Consolidated Grocers, particularly the Kenny operation.

We have just had a report, under date of January 11, 1952, from Mr. Oscar Schek, one of our New York representatives, who called upon Phillips Packing Company. While he found both Mr. Albanus and Mr. Phillips out of town, he did discuss the entire matter with their Purchasing Agent, Mr. Harris.

Phillips Packing Company has just been awarded a recent Government bid for Meat and Noodles, which is an item calling for the use of onion powder, and that reward was discussed since considerable poundage of onion powder could be involved.

Mr. Harris pointed out that the matter of reciprocity was involved; he expressed the hope that we in turn would discuss the matter with our folks in Chicago in the hopes that certain of our other divisions would buy more materials from Phillips Packing Company.

Mr. Schek pointed out that we had not as yet been favored with any large volume from Phillips; therefore, we were not in the position at this time to discuss the matter of purchasing their materials with our Chicago people.

1922 The way this matter was left was that Mr. Harris was to check their inventory position of onion powder and is to get in touch with our New York Office sometime this week. Mr. Schek expresses the hope that a sizable order could be involved; we will keep you advised as to what develops.

Sincerely,

GENTRY DIVISION
Consolidated Grocers Corporation
L. C. Bellisime,
Division Vice President

LCB:am

1925 COMMISSION EXHIBIT 90

GENTRY CALL REPORT

Salesman: M. Kraham Date: 3/10/52
Firm: Phillips Packing Company Inc.
Person Contacted: Mr. Harris

Mr. Harris promised to give us his next order for WOP, probably 2,000 pounds, either before or on our next visit. He told me that he is interested in further developments relative to the Kenny operation of Cons. Grocers. I explained that the matter was receiving attention and would give him any information as soon as it were available.

COMMISSION EXHIBIT 91

COMMISSION EXHIBIT 91

GENTRY CALL REPORT

Qtt ANPRATOR

By J Farrell Date 6/23/52

From Phillips Packing Co Point

Address Race & Main Sts

City Cambridge Point State Md

Buyer W. Harris Point

Person Interviewed same Point

Broker Hand City

By Phone ☐ In Person ☐

☐ NEW Account
☐ NEW Prospect
☐ New address. ☐ New buyer
OK to send _____ prices
☐ Not a direct prospect
☒ Reminder only, obligation
Left MDS for _____ office
Left order card for _____ office
☐ REMOVE from List

CLASSIFICATION

☐ Distributor
☐ Jobber/Repackager, No. _____ reference
☐ MEP/Canner ch. comp.

Dear Art, - Would you please write a letter to Wm Feeney, head of Quality Control, laboratory in Factory ☞ as to superiority of dehydrated onion over sauce. Many canneries in Chicken soup & Centerpiece using same use in tomato with pepper onion powder (Use onion powder in Mexican Chili soups) Suggest your sending for samples of Spec WOF, reg WOF & WOC. Off the record - Harris promised us business in the Fall on onion & garlic powder on basis of reciprocal trade (C.G.C.) No paprika meat -

Add following calls to ROUTE SHEET No. _____ Date _____

Address _____

MAIL CALL REPORTS EACH DAY

Form 12 SDA 6-52

1929 COMMISSION EXHIBIT 92

GENTRY, INCORPORATED

July 1, 1952

To: Mr. Lloyd C. Bellisime
Subject: Phillips Packing Co.
Cambridge, Maryland

Dear Lloyd:

It is interesting to note that we have just received an order from subject company for 1,000 lbs. of regular White Onion Powder. This is the first order that we have ever received on Onion Powder from this company directly.

Doubtlessly, this was the result of a recent conversation that the writer has had with both the buyer and the vice-president regarding mutual cooperation between our companies. Therefore, we anticipate that subject company will look for reciprocal business from Consolidated Grocers Corp. We would appreciate it very much if you would drop Mr. Kennedy in Chicago a line letting him know that subject concern is expressing more of a desire to cooperate than heretofore. It is further felt that should Consolidated Grocers give this company any business, it would without doubt reflect in much more business for Gentry than we have ever experienced or ever could experience without the help of Consolidated Grocers.

Mr. Kennedy asked me how we were getting along with this company when I was last in Chicago. Therefore, it would be to our best interest, from strictly a selfish point of view, if Consolidated Grocers Corp. were to give Phillips some business and let Mr. Harris and Mr. Ted Phillips know of this business at the same time.

Again, we'd appreciate a letter that you would write to Mr. Kennedy.

Sincerely,

GENTRY—New York
/s/ Joe
Joe Farrell

JF:eg

(W. Harris, Buyer
Theodore Phillips)

1931 COMMISSION EXHIBIT 93

July 7, 1952

Mr. S. M. Kennedy, President
Consolidated Grocers Corporation
135 South LaSalle Street
Chicago 3, Illinois

Reference: Phillips Packing Company
Cambridge, Maryland

Dear Mr. Kennedy:

I am certain you will be very much interested in subject concern having just recently placed an order with us for 1,000 pounds of our Regular White Onion Powder. This is the first direct order we have received from this organization.

We are quite confident that this order is as a result of a visit between our Joe Farrell out of our New York Office and Mr. W. Harris, Purchasing Agent and Mr. Theodore Phillips, Vice President, of Phillips Packing Company on June 23.

The people of Phillips Packing Company have expressed considerable interest in the possibility of their being able to

do business with some of the divisions of Consolidated Grocers, and it is our belief out here as well as the belief of Joe Farrell, as expressed by him in a recent letter to us, that principally we received this order in the hopes that they can do business with us.

Phillips Packing Company, as you know, is a very large organization and they do use considerable poundage of our material. If we can through any division of Consolidated Grocers use any of their own processed foods, we would normally feel that this would materially help us in furthering our own sales to that organization.

Your comments will be very much appreciated, and with kindest personal regards,

Sincerely,

GENTRY DIVISION
Consolidated Grocers Corporation
L. C. Bellisime
Division Vice President

LCB:am
cc: Joe Farrell, Chicago

1933 COMMISSION EXHIBIT 94

CONSOLIDATED GROCERS CORPORATION

July 10, 1952

Mr. L. C. Bellisime
Gentry Division
Box 2076—Terminal Annex
Los Angeles 54, California

Dear Mr. Bellisime:

I have your letter of the 7th and am very pleased to hear that you received an order from the Phillips Packing

Company for one thousand pounds of white onion powder. I note that this is the first direct order you have received from these people and that they are large users of your products.

Naturally, we want to be as helpful as possible and I am writing Mr. Kohut who is in charge of canned goods buying of our centralized buying office, suggesting that he give consideration to the purchase of merchandise of Phillips Packing Company whenever this is possible.

As explained to you previously, we formerly did quite a substantial business with this packing company in the early days of the Kenny Division. However, as we developed our own private label and in view of the fact that we thought that Phillips quality was not suited for our label, our purchases have not been substantial in recent years.

As stated above, we want to be helpful and if we can throw some business to Phillips Packing Company we will be only too happy to do so.

Yours very truly,

/s/ S. M. Kennedy

S. M. Kennedy
jm

1935 COMMISSION EXHIBIT 95

CONSOLIDATED GROCERS CORPORATION

July 16, 1952

Mr. L. C. Bellisime
Gentry Division
P. O. Box 2076—Terminal Annex
Los Angeles 54, California

Dear Mr. Bellisime:

I sent Mr. Leo Russo, President of the C. D. Kenny Division, copy of your letter with regards to the Phillips Packing Company.

I am today in receipt of a reply to this letter which I am attaching hereto.

Kindest regards.

Yours very truly,

/s/ S. M. Kennedy

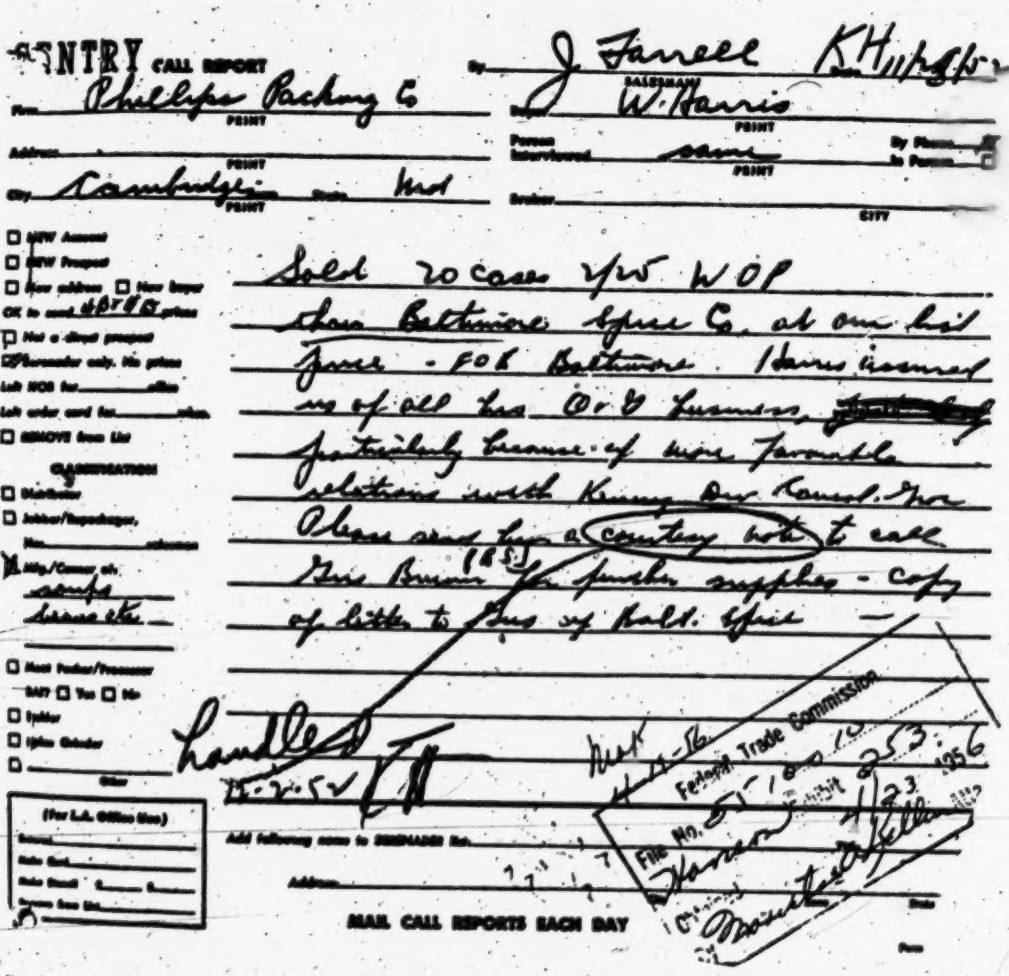
S. M. Kennedy
jm
enc

P.S.—Had a nice visit with your Mr. Farrell today.

/s/ SMK

COMMISSION EXHIBIT 97

COMMISSION EXHIBIT 97



COUNTRY CALL REPORT

By J Farrell K Hillyer

Firm Phillips Packing Co

Salesman J W. Harris

Address

Person Interviewed same

By Phone / In Person

City Cambridge State Md

Broker

- NEW Account
- NEW Prospect
- New address / New buyer
- OK to send 4 or 6 prices
- Not a direct prospect
- Forwarder only. No price
- Left SCS for ____ office
- Left order card for ____ office
- REMOVE from file

CLASSIFICATION

- Distributor
- Jobber/Repackager
- No. ____ salesmen
- Mfg/Canner of: sauces, beans etc.
- Meat Packer/Processor
- DAT ☐ Yes ☐ No
- Spiller
- Spice Grinder
- ____ Other

(For L.A. Office Use)

Remarks

Sold 20 cases Y/W W O P
thru Baltimore Spice Co. at our bid
price - F O B Baltimore. Have licensed
us of all the O & B Formulas, ~~[illegible]~~
particularly because of our favorable
relations with Kenny Our Consul. Mr
Obear used the a courtesy visit to call
Mrs Brown (185) for further supplies - Copy
of letter to Mrs of Bald. Spice —

Handled T.T.S.V. [illegible]

Add following name to REMINDER list

Address

MAIL CALL REPORTS EACH DAY

Federal Trade Commission
Exhibit No. 1237
File No. 61-10
Harper & Row
Deposition of Hillyer

1937 185

1943 COMMISSION EXHIBIT 99

ANNUAL REPORT

For the Fiscal Year
Ending June 30, 1949

Gentry Incorporated
General Offices - Box 2076 - Terminal Annex
Los Angeles 54, California

1944 ANNUAL REPORT

GENTRY INCORPORATED

Plants
Los Angeles - Oxnard - Gilroy

Warehouse Stocks
New York - Chicago - Houston
Dallas - St. Louis
Kansas City

1945 GENTRY, INCORPORATED

September 29, 1949

To the Stockholders:

We are pleased to present in this report the record of the corporation for the fiscal year ended June 30, 1949. There are also shown in this report comparative balance sheets as at June 30, 1949 and June 30, 1948, and we believe you will be particularly interested in the comparison.

Briefly, the net income before taxes for the year just ended amounted to $238,480.42 in comparison with $31,112.86 for the year previous, and after provision for Federal Income Taxes, the figures stand at $148,000.53 and $23,834.65 respectively. These figures, as well as the accompanying financial statement, show that considerable improvement has taken place.

The year just ended has been one of orderly merchandising with stocks of raw materials and finished inventories

fairly well in balance with sales demand. Total inventories are not heavy—if anything slightly on the low side, since several months before new crop production we were forced to withdraw from the market on onion flakes—an important item to your corporation.

In our letter to stockholders of October 13, 1948, reference was made to M.P.F. (Multi-Purpose Food) and the steps we were then taking to test the sales potential on the domestic commercial market. Shortly after these tests were undertaken, it was determined that the product was too revolutionary and did not follow the concepts of domestic consumers as to what a food should be, and therefore the campaign was dropped when it was indicated that substantial funds would be required in attempting to change, even in a small way, existing food habits. The product continues to be sold as a relief food for foreign countries.

Both the onion and garlic plant at Gilroy and the chili plant at Oxnard are in production, and we expect continued drying operations until the end of the year or past. A number of improvements have taken place in both plants. Gilroy is now a more streamlined operation and Oxnard should operate more efficiently and economically commencing with this season. Quality of production of both plants is excellent.

1946 The onion crop nationally is tending to be short in comparison to the past ten year average and the one of last year. Since the bulk of our raw onion requirements were procured a number of months ago, this condition should work to the definite advantage of our corporation.

The competitive position of your corporation has, we believe, been materially strengthened this past year, and we believe it our responsibility to see that it remains so.

A dividend of $0.05 per share was paid in June, 1949, and a dividend of the same amount will be paid on Novem-

ber 2, 1949. Your directors will undoubtedly authorize future dividends as such are justified by the financial condition and earnings of your corporation.

We hope that you will be as pleased with the results this year, in comparison with the one past, as we are to present them to you.

Very truly yours,

GENTRY, INCORPORATED
/s/ Geo. E. Clausen
GEO. E. CLAUSEN
President

2113

Commission Exhibit 99

COMMISSION EXHIBIT 99

GENTRY, Incorporated

(Incorporated in California)

COMPARATIVE BALANCE SHEETS

JUNE 30, 1949 and JUNE 30, 1948

ASSETS

	JUNE 30, 1949	JUNE 30, 1948
CURRENT ASSETS:		
Cash	$ 129,291.56	$ 46,980.22
Accounts Receivable	77,636.66	114,495.18
Inventories (at the lower of cost or market)	899,210.08	815,651.93
TOTAL CURRENT ASSETS	1,106,138.30	977,127.33
OTHER ASSETS:		
Insurance, rent and utilities deposits	12,522.16	18,391.36
Miscellaneous accounts receivable	12,019.27	20,362.80
TOTAL OTHER ASSETS	24,541.43	38,754.16
PROPERTY (at cost):		
Land	13,158.27	13,158.27
Buildings	438,708.72	426,937.78
Machinery and equipment	567,305.98	507,130.51
TOTAL	1,019,172.97	947,226.56
Less reserves for depreciation	466,435.86	425,777.27
TOTAL PROPERTY (net book value)	552,737.11	521,449.29
DEFERRED CHARGES:		
Unexpired insurance	6,790.39	10,125.44
Organization expense		6,728.88
Miscellaneous	26,186.59	28,836.35
TOTAL DEFERRED CHARGES	32,976.98	45,690.67
TOTAL	$1,716,393.82	$1,583,021.45

1947

LIABILITIES

	JUNE 30, 1949	JUNE 30, 1948
CURRENT LIABILITIES:		
Notes payable to bank, unsecured	$ 100,000.00	$ 45,000.00
Other notes payable, unsecured	10,000.00	43,000.00
Trade acceptances and sight drafts	13,694.95	15,244.92
Accounts payable	50,293.02	121,632.28
Federal, State and local taxes	97,142.21	17,735.80
Sundry accruals	22,739.88	29,820.84
TOTAL CURRENT LIABILITIES	293,870.06	272,433.84
LONG TERM DEBT:		
Notes payable, unsecured	20,000.00	30,000.00
DEFERRED CREDIT—Letter of Credit		2,700.00
CAPITAL:		
Capital stock—authorized 500,000 shares of $1.00 each, outstanding 332,710 shares	332,710.00	332,710.00
Capital surplus	840,841.29	847,570.17
Earned surplus	228,972.47	97,607.44
TOTAL CAPITAL	1,402,523.76	1,277,887.61
TOTAL	$1,716,393.82	$1,583,021.45

1948

Commission Exhibit 99

COMMISSION EXHIBIT 99

2114

SUMMARY OF INCOME
For The Year Ended June 30, 1949

Net Sales	$2,549,883.27
Cost of Sales	2,000,523.61
Gross Profit on Sales	549,359.66
Selling, General and Administrative Expense	279,580.84
Profit from Operations	269,778.82
Income Credits	5,350.32
Gross Income	275,129.14
Income Charges	36,648.72
Net Income before Federal Income Tax	238,480.42
Federal Income Tax	90,479.89
Net Income	$ 148,000.53

1949

SUMMARY OF CAPITAL SURPLUS AND EARNED SURPLUS
For The Year Ended June 30, 1949

	Capital Surplus	Earned Surplus	Total
Balance July 1, 1948	$847,570.17	$ 97,607.44	$ 945,177.61
Add:			
Net Income		148,000.53	148,000.53
	847,570.17	245,607.97	1,093,178.14
Deduct:			
Organization Expense Written Off	6,728.88		6,728.88
Cash Dividend Paid June 20, 1949		16,635.50	16,635.50
Total to Deduct	6,728.88	16,635.50	23,364.38
Balance June 30, 1949	$840,841.29	$228,972.47	$1,069,813.76

1950

1951

RAY STONE WEBSTER
Certified Public Accountant
1127 Wilshire Boulevard
Los Angeles 14, California

To the Board of Directors
Gentry, Incorporated
Los Angeles, California

I have examined the balance sheet of Gentry, Incorporated at the close of business June 30, 1949 and the statements of profit and loss and surplus accounts for the twelve months then ended. In connection therewith, I have reviewed the system of internal control and the accounting principles and procedures followed by the company, and, without making a detailed audit of the transactions, examined or tested accounting records and other supporting evidence, by methods and to the extent I deemed appropriate. My examination was made in accordance with generally accepted auditing standards applicable in the circum-

GENTRY, Incorporated
GENTRY, Incorporated

stances and included all procedures which I considered necessary.

In my opinion, the accompanying financial statement presents fairly the position of Gentry, Incorporated at June 30, 1949, and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ray Stone Webster
Certified Public Accountant

1952 GENTRY, INCORPORATED

BOARD OF DIRECTORS

George E. Clausen — L. C. Bellisime
Julian L. Hill — Philip S. Davis
Michael J. Heller — B. P. Lester
Henry M. Bateman

PRINCIPAL OFFICERS

GEORGE E. CLAUSEN ..... *President*
L. C. BELLISIME ..... *Vice-President*
JULIAN L. HILL ..... *Secretary and Treasurer*
PHILIP S. DAVIS ..... *Assistant Secretary*

REGISTRAR

Security-First National Bank of Los Angeles
Los Angeles, California

TRANSFER AGENT

Union Bank & Trust Co. of Los Angeles
Los Angeles, California

1953

COMMISSION EXHIBIT 100

ANNUAL REPORT

For the Fiscal Year
Ending June 30, 1950

GENTRY INCORPORATED
General Offices — Box 2076 — Terminal Annex
Los Angeles 54, California

1954

ANNUAL REPORT

GENTRY INCORPORATED
General Offices
Los Angeles

PLANTS
Oxnard — Gilroy
Warehouse Stocks
New York — Chicago — Houston
Dallas — St. Louis
Kansas City

1955

GENTRY, INCORPORATED

October 11, 1950

To the Stockholders:

This report and the accompanying financial statement present the record of your Corporation for the fiscal year, ending June 30, 1950.

We believe you will be quite pleased with results and so that you may compare the year just ended with two years past, the following chart is provided:

	Year Ended:		
	June 30, 1948	June 30, 1949	June 30, 1950
Net Sales	$2,942,417.81	$2,549,883.27	$2,629,910.20
Net Income before Federal Income Taxes	$ 31,112.86	$ 238,480.42	$ 256,355.49
Deduct: Provision for Federal Income Tax ...	7,278.21	90,479.89	97,415.09
Net Income	$ 23,834.65	$ 148,000.53	$ 158,940.40

From a dividend standpoint, the Corporation paid out a total of $49,906.50 for the year ending June 30, 1950, which was made up of three payments of five cents (5¢) each per share. This compares with a total dividend disbursement for the year previous of $16,635.50.

As to the future, we are confident that continued growth will be seen. Present day volume is materially heavier than that of a year ago, and that coupled with far more efficient production should reflect in even a further strengthened financial position.

During June and July, 1950, all chili and paprika processing was moved to the company owned plant at Oxnard, thereby consolidating all such operations from raw material handling to grinding and packing under one roof. We expect considerable economies to be effected from this consolidation.

1956 The swing to a partial war economy was not reflected in your Company's sales volume for the year just ended, but since July 1, 1950, some volume has been noted.

At the present time, we have filled one small War Department order for Onion Flakes, and are currently filling a larger one. As more of this business develops your Com-

pany, being a prime producer of Onion Flakes, can reasonably expect to fill a goodly share of these Quartermaster requirements.

In passing, it is worthy of note that of all foods purchased by the Quartermaster General for the Armed Forces, Onion Flakes appear in more of their recipes, and is more generally used than any other single item of food procurement.

Very truly yours,

GENTRY, INCORPORATED
/s/ Geo. E. Clausen
George E. Clausen
President

GENTRY, Incorporated

(Incorporated in California)

COMPARATIVE BALANCE SHEETS

JUNE 30, 1950 and JUNE 30, 1949

ASSETS

	JUNE 30, 1950	JUNE 30, 1949
CURRENT ASSETS:		
Cash	$ 48,230.77	$ 129,291.56
Accounts receivable	179,553.40	77,636.66
Inventories (at the lower of cost or market)	957,387.91	899,210.08
TOTAL CURRENT ASSETS	$1,185,172.08	$1,106,138.30
OTHER ASSETS:		
Insurance, rent and utilities deposits	$ 10,334.68	$ 12,522.16
Miscellaneous accounts receivable	6,777.06	12,019.27
TOTAL OTHER ASSETS	$ 17,111.74	$ 24,541.43
PROPERTY (at cost):		
Land	$ 13,158.27	$ 13,158.27
Buildings	438,708.72	438,708.72
Machinery and equipment	596,132.12	567,305.98
TOTAL	$1,047,999.11	$1,019,172.97
Less reserves for depreciation	486,150.35	466,435.86
TOTAL PROPERTY (net book value)	$ 561,848.76	$ 552,737.11
DEFERRED CHARGES:		
Unexpired insurance	$ 5,464.24	$ 6,790.39
Prepaid taxes	6,888.84	6,255.04
Miscellaneous	9,150.27	19,931.55
TOTAL DEFERRED CHARGES	$ 21,503.35	$ 32,976.98
TOTAL	$1,785,635.93	$1,716,393.82

LIABILITIES

	JUNE 30, 1950	JUNE 30, 1949
CURRENT LIABILITIES:		
Notes payable to bank, unsecured	$	$ 100,000.00
Other notes payable, unsecured	10,000.00	10,000.00
Sight drafts	2,814.23	13,694.95
Accounts payable	119,073.37	50,293.02
Federal, State and local taxes	104,651.99	97,142.21
Sundry accruals	28,516.17	22,739.88
TOTAL CURRENT LIABILITIES	$ 265,055.76	$ 293,870.06
LONG TERM DEBT:		
Notes payable, unsecured	$ 10,000.00	$ 20,000.00
CAPITAL:		
Capital stock, authorized 500,000 shares of $1.00 each, outstanding 332,710 shares	$ 332,710.00	$ 332,710.00
Capital surplus	840,841.29	840,841.29
Earned surplus	337,028.88	228,972.47
TOTAL CAPITAL	$1,510,580.17	$1,402,523.76
TOTAL	$1,785,635.93	$1,716,393.82

1957

1958

2120 Commission Exhibit 100

COMMISSION EXHIBIT 100

GENTRY, Incorporated

SUMMARY OF INCOME
For The Year Ended June 30, 1950

Net Sales	$2,629,910.20
Cost of Sales	2,050,220.37
Gross Profit on Sales	$ 579,689.83
Selling, General and Administrative Expenses	289,102.43
Profit from Operation	$ 290,587.40
Income Credits	3,352.86
Gross Income	$ 293,940.26
Income Charges	37,584.77
Net Income before Federal Income Tax	$ 256,355.49
Federal Income Tax	97,415.09
Net Income	$ 158,940.40

1959

GENTRY, Incorporated

SUMMARY OF CAPITAL SURPLUS AND EARNED SURPLUS
For The Year Ended June 30, 1950

	Capital Surplus	Earned Surplus	Total
Balance July 1, 1949	$840,841.29	$228,972.47	$1,069,813.76
Add:			
Net Income		158,940.40	158,940.40
	$840,841.29	$387,912.87	$1,228,754.16
Deduct:			
Cash Dividends Paid		$ 49,906.50	$ 49,906.50
Federal Income Tax Applicable to Prior Year		977.49	977.49
Total to Deduct		$ 50,883.99	$ 50,883.99
Balance June 30, 1950	$840,841.29	$337,028.88	$1,177,870.17

1960

COMMISSION EXHIBIT 100

Commission Exhibit 100

2121

1961

RAY STONE WEBSTER
Certified Public Accountant
1127 Wilshire Boulevard
Los Angeles 14, California

September 5, 1950

To the Board of Directors
Gentry, Incorporated
Los Angeles, California

I have examined the balance sheet of Gentry, Incorporated at the close of business June 30, 1950 and the statements of profit and loss and surplus accounts for the twelve months then ended. In connection therewith, I have reviewed the system of internal control and the accounting principles and procedures followed by the company, and, without making a detailed audit of the transactions, examined or tested accounting records and other supporting evidence, by methods and to the extent I deemed appropriate. My examination was made in accordance with gen-

erally accepted auditing standards applicable in the circumstances and included all procedures which I considered necessary.

In my opinion, the accompanying financial statement presents fairly the position of Gentry, Incorporated at June 30, 1950, and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ray Stone Webster
Certified Public Accountant

1962 GENTRY, INCORPORATED

BOARD OF DIRECTORS

George E. Clausen — L. C. Bellisime
Julian L. Hill — Philip S. Davis
B. P. Lester — Arthur N. Prater
Henry M. Bateman

PRINCIPAL OFFICERS

George E. Clausen.....President
L. C. Bellisime.....Vice-President
Julian L. Hill.....Secretary and Treasurer
Philip S. Davis.....Assistant Secretary

REGISTRAR

Security-First National Bank of Los Angeles
Los Angeles, California

TRANSFER AGENT

Union Bank & Trust Co. of Los Angeles
Los Angeles, California

1987 COMMISSION EXHIBIT 102

CONSOLIDATED GROCERS CORPORATION
ANNUAL REPORT
For the Year Ended June 30, 1951

1988 GROWTH OF CONSOLIDATED GROCERS CORPORATION

1939—C. D. Kenny Division—Founded 1870. Distributes a full line of grocery products, including Kenny brand in Southeast and Middlewest.

1942—Sprague Warner Division—Founded 1863. Distributes Richelieu and other quality canned and packaged foods nationally and through Cardinal voluntary chain.

1944—Western Grocer Division—Founded 1901. Distributes Jack Sprat canned goods and other products in Midwest and through Jack Sprat voluntary chain.

Marshall Canning Division of Consolidated Food Processors, Inc.—Founded 1910. Processors and packers of quality foods.

1945—Reid Murdoch Division—Founded 1853. Distributes nationally the long-established Monarch Finer Foods line and other brands.

Dannemiller Grocery Division—Founded 1869. Distributes Black & White and other brands of food products in Ohio.

1948—Rosenberg Bros. & Co. Inc. (Subsidiary)—Founded 1893. Packers of dried fruits, rice, nuts and beans sold throughout the world.

1950—Lee Foods Division—Founded 1889. Distributes Lee quality foods in Kansas City area and Southwest and through H.G.F. voluntary chain.

1951—Gentry Division—Founded 1919. Large producer of dried food seasonings sold to food packers and processors, institutions, and in bulk for repackaging.

United States Products Corporation, Ltd. (Subsidiary)—Founded 1922. Canners of fancy fruits and vegetables, specializing in fruits and featuring the Signet brand.

Formed

1951—Consolidated Food Processors, Inc. (Subsidiary)—Canners and processors of a wide line of food products. Includes former canning and processing facilities of C. D. Kenny, Reid Murdoch, Western Grocer, Lee Foods and Marshall Canning divisions.

* * *

1991 CHAIRMAN'S LETTER

Your company closed a successful fiscal year on June 30, 1951. Sales reached the highest point in our history and exceeded those of last year by a sizable margin. Operating ratios during the twelve months were more satisfactory than during the preceding year and a substantially higher profit resulted in spite of the heavily increased tax load.

A YEAR OF GROWTH

It was a most important year for Consolidated Grocers. To better our services to the food industry as a whole, we continued expanding our facilities. Both canning and processing operations were further diversified.

In November, 1950, we purchased the food division of the H. D. Lee Company of Kansas City, Missouri. The Lee food business was established in the year 1889. Its processing and distributing operations have shown remarkable progress and growth through the years and in the past year had attained the highest volume level in the sixty-one year history. Lee brand foods are a consumer favorite throughout a large area in the Midwest and Southwest. These foods are sold through thousands of retail grocery stores, institutions and a voluntary chain of more than 600 inde-

pendently owned stores. Lee's processing facilities increased our production capacity for coffee, peanut butter, salad dressings, candy and spices.

January, 1951, marked another important development. At that time substantially all of the outstanding securities of the United States Products Corporation, Ltd., of San Jose, California, were purchased by your Chairman for later transfer at his cost to the company. This transfer was completed on June 30, 1951. United States Products Corporation, a leading canner of high quality fruits and vegetables, has for many years been an important supplier to food distributors throughout the country, including the divisions of Consolidated Grocers. Their plant at San Jose has been operating at the rate of 1,200,000 cases annually and we plan to step up this production to 1,500,000 cases. This increase in production will assure a continued supply of finest quality canned goods for all customers whom it has served in the past.

In April, 1951, we exchanged 66,542 shares of our common stock for the business and assets, subject to the liabilities, of Gentry, Inc. This business is now operating as the Gentry Division of your company. Gentry executive offices are located in Los Angeles, California. Two modern plants are in operation, one located at Gilroy, California, and the other at Oxnard, California. This new division is one of the largest producers of dried food seasonings, including onion and garlic flakes and powder, ground chili peppers and powder, domestic paprika and chili pods. A heavy proportion of its output is sold to general food packers, processors and meat packers. The remainder goes to restaurants, institutions, armed forces, and to distributors in bulk for repackaging and sale at retail.

All of these acquisitions were planned to improve our position in the food industry and to prepare our company

for the opportunities that lie ahead. All have long records of success in their respective fields.

1992 The managements which have so ably guided them are continuing with us. We intend to pursue the same merchandising policies and trade relationships which have brought these organizations to their present position. The broad facilities of your company should provide outstanding opportunity for future growth.

A NEW FOOD PROCESSING SUBSIDIARY

After much consideration and planning, a program was developed for separating the processing and distributing operations of several of our divisions. In the latter part of the past fiscal year Consolidated Food Processors, Inc., a wholly owned subsidiary, was formed to take over on July 2, 1951, the canning and processing facilities of our Reid Murdoch, Kenny, Lee, Marshall Canning and Western Grocer Divisions. This new subsidiary will have its headquarters in Chicago and will operate canning, processing and manufacturing plants in twenty-five cities.

This coordination of these production activities is a significant step in our growth, for it will permit the canning, processing and packing of larger quantities of food products for many distributors including our own divisions. It will open up avenues for the development of new food products and the improvement of processing methods. It will result in even more careful control of the excellent quality which is characteristic of all Consolidated Grocers products.

PROGRESS WILL CONTINUE

It has indeed been an eventful year. The acquisitions and revamping of facilities should add materially to our sales volume and earnings in the years ahead. It is our continuing policy to devote ourselves to bringing to the consuming

public the highest quality foods, conveniently and attractively packaged, at fair prices.

THE IMMEDIATE FUTURE

The semi-regimented economy under which we have operated during the past several months has posed many problems which affect our country, our company and ourselves as individuals. It seems certain that government controls will continue during our ensuing fiscal year. We cannot forecast what effect they may have on our operations. We have every confidence, however, that the demand for food will continue at a high level. Increased employment rolls and higher disposable income have always been conducive to larger sales volume in our industry. The announced increased requirements for the Armed Services should add to total food consumption. All divisions and subsidiaries of our company will continue aggressively to improve their share of the available market.

IN APPRECIATION

No discussion of the year's activities would be complete without a word of appreciation to all of you who have contributed to our progress: The shareholders who provide our facilities—the employees who produce and market our goods—ranchers, growers, farmers and others who supply raw materials—the wholesalers, retailers and institutions who distribute and use our products—the consumers who buy our foods—all played a vital part in our year's results. Without their support, there would be no progress to report.

Sincerely yours,

/s/ Nathan Cummings
Chairman of the Board

September 10th, 1951

• • •

Consolidated Grocers Corporation & Subsidiaries

1999

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED JUNE 30, 1951

Net sales			$174,006,801.46
Cost of sales			148,170,896.74
Gross profit			$ 25,835,904.72
Selling, general and administrative expenses			20,378,923.49
Operating profit			$ 5,456,981.23
Other income:			
Cash discounts (net)		$552,314.25	
Profit on disposal of fixed assets		62,751.71	
Sundry income (net)		348,230.64	
Total		$963,296.60	
Less interest charges:			
On long term indebtedness	$398,217.08		
On other indebtedness	456,905.29	855,122.37	
Other income (net)			108,174.23
Net profit before federal taxes on income			$ 5,565,155.46
Provision for federal taxes on income (Note 4)			2,642,544.77
Net profit for the year			$ 2,922,610.69

The accompanying Notes to Financial Statements are an integral part of this statement of profit and loss.

CONSOLIDATED STATEMENT OF SURPLUS ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1951

PAID-IN SURPLUS		
Balance, July 1, 1950		$ 696,286.50
Add:		
Excess of book value of net assets acquired (Gentry Division) over par value of capital stock issued therefor		1,519,098.91
Balance, June 30, 1951		$ 2,215,385.41
CAPITAL SURPLUS		
Balance, July 1, 1950		$ 8,252,903.72
Add:		
Excess of book value of net assets of subsidiary acquired, over cost of investment		263,377.49
		$ 8,516,281.21
Deduct:		
Reclassification adjustment—earned surplus contra		32,364.68
Balance, June 30, 1951		$ 8,483,916.53
EARNED SURPLUS		
Balance, July 1, 1950		$ 9,985,757.22
Add:		
Net profit for year ended June 30, 1951, from consolidated statement of profit and loss	$2,922,610.69	
Reclassification adjustment—capital surplus contra	32,364.68	2,954,975.37
		$12,940,732.59
Deduct:		
Dividends paid:		
On 5% Preferred Stock	$ 125,872.61	
On Common Stock	1,109,329.41	
Premium on Preferred Stock retired	4,796.00	1,239,998.02
Balance, June 30, 1951		$11,700,734.57

The accompanying Notes to Financial Statements are an integral part of this statement of surplus accounts.

COMMISSION EXHIBIT 102

Commission Exhibit 102

2129

COMMISSION EXHIBIT 102

Notes to Financial Statements

1. PRINCIPLES OF CONSOLIDATION:

The consolidated balance sheet includes the accounts of the parent, Consolidated Grocers Corporation, and the consolidated accounts of its wholly-owned subsidiaries, Rosenberg Bros. & Co. Inc. and United States Products Corporation, Ltd. The latter subsidiary was acquired June 30, 1951, and accordingly its operations are not included in the consolidated statement of profit and loss. In consolidation, the intercompany accounts, transactions, and profits in inventories of the companies and branches were eliminated.

2. INVENTORIES IN TRANSIT:

In accordance with the practices of the companies, their inventories and accounts payable do not include merchandise in transit. The amount thereof represents a normal float for such merchandise and its exclusion does not materially affect the current position of the companies.

3. FIXED ASSETS:

Fixed assets are stated substantially at cost. The cost basis of properties of Rosenberg Bros. & Co. Inc. and subsidiaries includes an allocation of the excess of the purchase price paid for the net assets and business in 1948 over the book value of the tangible assets acquired.

4. DEFERRED AND ACCRUED FEDERAL TAXES ON INCOME:

The Corporation has filed claims for relief from federal income and excess profits taxes for the years ended in 1942 through 1946, and the portion of such taxes permitted to be deferred, pending decisions on the claims, is shown on the balance sheet as "Deferred federal taxes on income." The full amount of tax liability has been accrued and charged to income in the years involved. The management is of the opinion that the aggregate net settlement of income taxes and claims for relief for prior years will not exceed the amount provided.

Federal income tax returns of the parent corporation for the years 1946 to 1950, inclusive, are being examined and no material deficiencies or overassessments are expected. Income tax returns of the predecessor of Rosenberg Bros. & Co. Inc. and of its subsidiaries have been examined and cleared by the Bureau of Internal Revenue for all years ending on or prior to May 31, 1947, and those of United States Products Corporation, Ltd., for all years ending on or prior to February 28, 1950. No excess profits tax liability for the year ended June 30, 1951, is indicated, based upon present computations.

5. SURPLUS RESTRICTIONS:

Under the provisions of the agreement covering the issue of the 15 year 3¼% notes of the Corporation, cash dividends and stock retirements may not exceed $1,250,000.00, plus consolidated net earnings subsequent to June 30, 1949, nor may cash dividends be paid or stock retired, if, after giving effect thereto, consolidated net current assets are reduced to less than $13,000,000.00. Similarly, the trust indenture relating to the 15 year sinking fund debentures of Rosenberg Bros. & Co. Inc. also places restrictions on the payment of dividends and imposes specific requirements for the maintenance of working capital.

6. SINKING FUND PAYMENTS:

Under its charter as amended, the Corporation is required within 120 days after the close of the fiscal year to pay into a "Preferred Stock Sinking Fund" 20% of its net income after certain adjustments, for the purchase and retirement of its 5% Preferred Stock at a price not to exceed $104.00 per share plus accrued dividends. The subsidiary company is likewise required, under the terms of the indenture covering its long term indebtedness, to pay into a sinking fund, on December 31 of each year, a portion of its net income for the retirement of such indebtedness. No provision has been made in the accompanying financial statements for such sinking fund payments, which amount to approximately $420,000.00.

7. LONG TERM LEASES:

Certain properties are occupied by the Corporation under long term leases. At June 30, 1951, the total minimum annual fixed rentals payable under leases expiring after June 30, 1956, was approximately $286,000.00 per annum, and these leases had an average composite life of approximately 13 years from the latter date.

ACCOUNTANTS' CERTIFICATE

To the Board of Directors and Stockholders of
CONSOLIDATED GROCERS CORPORATION:

We have examined the consolidated balance sheet of Consolidated Grocers Corporation and subsidiaries as of June 30, 1951, and the related consolidated statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of profit and loss and surplus present fairly the consolidated financial position of the companies at June 30, 1951, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F. W. LAFRENTZ & CO.
Certified Public Accountants

New York, N. Y.
August 16, 1951

Consolidated Grocers Corporation & Subsidiaries

CONSOLIDATED BALANCE SHEET | JUNE 30, 1951

ASSETS

CURRENT ASSETS:		
Cash on hand and in banks		$ 4,173,682.84
Receivables:		
Trade	$ 8,874,578.12	
Other	615,393.37	
Total	$ 9,489,971.49	
Less reserve for doubtful accounts	247,500.35	9,242,471.14
Inventories—merchandise, raw materials, and supplies, at lower of cost or market (Note 2)		34,161,925.25
Net costs and expenses in connection with growing crops		426,136.28
Prepaid insurance, taxes, and expenses		583,553.55
Total current assets		$48,587,767.06
SPECIAL FUNDS AND DEPOSITS:		
Insurance deposits	$ 150,748.83	
Cash surrender value of life insurance	57,628.56	
Sundry deposits, investments, and other assets	126,479.09	
Total special funds and deposits		$14,856.28
FIXED ASSETS (Note 3):		
Buildings	$ 7,480,400.73	
Machinery, furniture, automobiles, and equipment	9,090,986.50	
Total	$16,571,387.23	
Less reserve for depreciation	6,885,321.06	
	$ 9,686,066.17	
Land	1,341,021.50	
Total fixed assets		11,027,087.67
DEFERRED CHARGES:		
Unamortized leasehold improvements	$ 75,941.05	
Unamortized long term debt expense	97,294.32	
Total deferred charges		171,235.57
PATENTS, TRADE-MARKS, GOODWILL, AND OTHER INTANGIBLES:		2.00
Total		$60,100,948.38

The accompanying Notes to Financial Statements are an integral part of this balance sheet.

LIABILITIES

CURRENT LIABILITIES:		
Notes payable to banks		$15,350,000.00
Accounts payable:		
Trade (Note 2)	$ 2,357,750.67	
Other	125,865.36	2,483,624.03
Current maturities of long term indebtedness		750,000.00
Taxes withheld		229,108.21
Deferred federal taxes on income (Note 4)		435,917.15
Accrued items:		
Federal taxes on income	$ 2,901,509.24	
Other taxes	492,825.55	
Salaries, bonus, and wages	965,572.50	
Interest and expenses	295,731.36	4,655,638.65
Liability under stock purchase agreement		72,747.18
Total current liabilities		$23,977,035.20
LONG TERM INDEBTEDNESS:		
Fifteen year notes, 3¼%, due June 1, 1953/64	$ 5,450,000.00	
Long term indebtedness of subsidiary—due January 1, 1964	4,562,000.00	
Total long term indebtedness		10,012,000.00
CAPITAL STOCK AND SURPLUS:		
5% Cumulative Preferred Stock—$100.00 par value:		
Originally authorized — 40,000 shares		
Redeemed and cancelled — 15,535 shares		
Issued and outstanding — 24,665 shares	$ 2,466,500.00	
Common Stock—$1.33⅓ par value:		
Authorized — 1,200,000 shares		
Issued and outstanding — 934,054 shares	1,245,378.67	
Paid-in surplus	2,215,385.41	
Capital surplus	8,483,916.53	
Earned surplus (Note 5)	11,700,754.57	
Total capital stock and surplus		26,111,915.18
Total		$60,100,948.38

The accompanying Notes to Financial Statements are an integral part of this balance sheet.

Commission Exhibit 102

COMMISSION EXHIBIT 102

2131

2006 PROCESSING

The processing of food is both an art and a science. It is the art of preserving the subtle flavors and tempting appearance of fresh foods. It is the science of maintaining top nutritional values through constant quality control and careful chemical analysis.

Everyone at Consolidated's canneries, manufacturing plants, pickle stations and other processing facilities takes this art-science seriously. They are constantly alert for better methods of producing and insuring finer quality in our finished products. All of them, from those who bring the raw product to the plant to those who load the finished goods for shipment to distributors, know how important fine quality is in foods. They do everything they can to make our products the finest possible. The most modern equipment and constant research in processing methods help them to do their job. Consolidated employees have, in fact, pioneered many improvements in machines and methods which have since become standard in the industry.

Last year we processed a total of 600,000,000 pounds of food products. Additions to processing facilities made during the year will provide much larger quantities in the future. Some will flow through our own distributing divisions, some through other quality-conscious distributors all over the world, for resale under their own or our brands. All of them will have the same high quality which people have come to expect of Consolidated Grocers.

• • •

2008 DISTRIBUTION

Distribution—making the products of Consolidated Grocers available to consumers throughout the world—is another important part of our job.

Consolidated, in its wholesale distributing houses, employs over 1,000 salesmen, selling our products to 100,000 retailers and thousands of restaurants and institutions throughout America and in many foreign countries. We appreciate the loyalty and support these customers have always shown us.

The sales representatives of our distributing divisions know their trade intimately. They are qualified to advise and assist in many ways in solving the complex problems of retailer and institution operator alike. Their job goes far beyond routine order-taking. Each is trained to initiate and direct the aggressive displays and promotion of foods at retail level, and to promote wider use of our brands in institution feeding.

Behind the salesmen is the nation-wide network of warehouses and supply depots maintained by our divisions for the prompt execution of orders. Each house must stock a wide variety of foods; in some cases more than 5,000 items are carried in stock. These houses take advantage of the most efficient mechanization and operating techniques. Two new warehouses opened toward the end of our fiscal year (one in Houston and one in Baltimore) have been called the last word in food warehousing operations.

The position that Consolidated Grocers occupies in the food field today is proof that all employees recognize the importance of fast, efficient service.

* * *

2010 ADMINISTRATION

All of the functions we have talked about have to do with our products themselves. But equally important is the dovetailing of all these operations into a smooth-running profitable enterprise.

Each division has its own management which is responsible for its results. The divisions establish sales policies, direct advertising, control costs, keep their accounts and

take care of the thousand and one details attendant to running a business

Our executive office in Chicago coordinates the activities of all divisions. Executives at the home office work closely with the heads of our divisions in reviewing and suggesting promotional activities. Accounting reports submitted by divisional comptrollers every four weeks provide means for close budgetary controls on every phase of our operations. Daily and weekly reports on sales and inventories furnish a continuing measure of the pulse of the business.

The diversity of our activities and their nation-wide scope enable us to have a more efficient, more economical operation than would otherwise be possible. This factor has been largely responsible for our growth up to now—it augurs well for our continued success.

2015 COMMISSION EXHIBIT 103

CONSOLIDATED GROCERS CORPORATION
Annual Report
for the Year Ended June 30, 1952
Growers — Processors —
Distributors . . . of Fine Foods

• • •

2019 CHAIRMAN'S LETTER

• • •

2020 TWO NEW PROCESSING UNITS

Two new properties acquired during the year bring up to six the number of our divisions and subsidiaries engaged in processing food products.

On August 15, 1951, we acquired the Fred M. Drew Company of Santa Clara, California, a processor and canner of high quality fruits and vegetables. It has a year-

around dry pack operation, and cans California fruits in season; its excellent line of specialties form an important addition to our product list. Mr. Fred M. Drew, founder and president of the Drew Company, is also president of United States Products Corporation, Ltd., which became a subsidiary of your company on June 30, 1951. Mr. Drew has long been an outstanding figure in the food processing and packing industry on the West Coast; he has been elected a vice president and director of your company and will continue to head both United States Products and the Drew Company. The operations of these subsidiaries are more fully described on Page 16 of this report.

Union Sugar Co. of California joined the Consolidated family on September 17, 1951, and is now operating as the Union Sugar Division of your company. Union Sugar has been engaged in processing and packing beet sugar for more than fifty years, and now is one of the large and important California operations. Present annual capacity is 1,500,000 bags or 150,000,000 pounds of sugar (see page 14). Because markets for beet sugar are steadily expanding, we feel that this new division will continue to make a substantial contribution to our sales and earnings. With the acquisition of Union Sugar, another important addition was made to the Consolidated management group. Mr. Roland Tognazzini, a prominent Californian who was president of Union Sugar Company for many years, will continue in charge of this division. I am glad to report that he has also succeeded me as president of our subsidiary, Rosenberg Bros. & Co., Inc. He has been elected a vice president and director of your company, and chairman of our West Coast executive committee.

STRONGER FINANCIAL STRUCTURE

The acquisitions and expansions of the last two years resulted in capital changes which have materially improved

our financial position. The exchange of shares for new acquisitions, the sale of a new issue of preferred stock on February 1, 1952, and the resetting of our long term loan arrangement, all described on Page 7 of this report, have strengthened the balance between equity capital and debt. These changes also provided an adequate working capital base for our enlarged operations.

THE IMMEDIATE FUTURE

A general betterment in food industry operations and the more normal supply-demand situation have already shown good results in the early weeks of our new fiscal year. Consumer income continues at a high level. We have been able to restore our historical profit margins, consistent with competition, on most of our premium quality items, which bulk large in our total sales. As in the past, we shall all devote ourselves to bringing the consumer high quality foods, conveniently and attractively packed, at fair prices. We are confident that the result will be further progress for your company.

IN MEMORIAM

We commemorate with a deep feeling of sorrow and loss the passing of Mr. R. B. Caywood on January 7, 1952. Mr. Caywood was serving as one of our directors at the time of his death.

IN APPRECIATION

Again may I express your management's gratitude to the men and women of Consolidated Grocers who did such a creditable job in a hard and seemingly unrewarding year.

We all wish to welcome the 2,000 new shareholders who joined the Consolidated family as a result of the offering of preferred stock. Their willingness to become our partners played a vital role in the necessary and important changes in our financial structure which were achieved dur-

ing the year. Notable contributions to our progress were also made by our suppliers, our distributors, our retailers and institutional customers, and of course, the American consumer. We shall make every effort to merit the continued support of all of these groups.

Yours sincerely,

/s/ Nathan Cummings

September 8, 1952

• • •

2030 UNION SUGAR DIVISION

Union Sugar became a part of your company in September, 1951. Acquisition of this 55-year-old beet sugar processor had three worthwhile advantages. It added substantially to the size of your company from the standpoints of assets, sales volume and profit potential; it provided broader diversification of our processing activities; it brought a valuable addition to our top management in the person of Mr. Roland Tognazzini, long a prominent California executive.

Union Sugar was founded in 1897, and has been a leader and pioneer in California's expanding beet sugar industry ever since. Its growth has been accelerated since Mr. Tognazzini became president in 1939. In the same year Mr. L. A. Lehmann joined the Company. Having been born and reared in Lompoc, in Santa Barbara County, an area noted for its excellence in sugar beet production, he has participated in the outstanding development of the industry. He now holds the position of executive vice president.

Under the guidance of Mr. Tognazzini and Mr. Lehmann, Union has built up the largest single line beet sugar operation in the country. The completely mechanized plant is located in Betteravia in the rich sugar beet region of Santa Barbara County. Production for the current year is expected to exceed 1,300,000 bags of 100 pounds each. Union

2031 Sugar is the only beet sugar plant with a production season extending over seven months of around-the-clock operation. The industry's average is four months. Processing starts in May, when beets are available from the Imperial Valley, in the most southern part of California. As harvesting moves north, thousands of tons of beets come in from Santa Maria, Lompoc, Salinas, Santa Clara, San Benito and Santa Cruz valleys.

Like others in its industry, Union Sugar contracts for beets a year in advance of harvesting. Union Sugar has fostered the mechanization of sugar beet farms. This has reduced operating costs of the farmer and has made beet growing a profitable enterprise for him.

The farsighted policies of Union Sugar in developing markets and increasing the return to the growers has built an outstanding grower relationship.

Union Sugar's principal customers are bakers, food processors, soft drink and candy manufacturers, and large retail outlets. California is growing more and more sugar beets as well as refining and consuming a steadily increasing volume of beet sugar.

The excellent management of Union Sugar, its favorable industry position and its growth potential make this division a very valuable part of your company's future operations.

2032 UNITED STATES PRODUCTS CORPORATION LTD.

FRED M. DREW COMPANY

United States Products Company, Ltd. and the Fred M. Drew Company were natural additions to your company's food processing activities.

United States Products (which became a subsidiary on the last day of our 1951 fiscal year) has long been a leading packer of high quality fruits and vegetables. The unusual

diversity of its products permits a long processing season during which the cannery works 24 hours a day, seven days a week. Production in the fiscal year just ended reached a record high of 1,700,000 cases; in the previous year 1,250,000 cases were packed. Much of the plant's output is sold under private label to grocery chains, supermarkets and distributors, including Consolidated Grocers divisions. This subsidiary's own U.S.P. and SIGNET brands also enjoy good consumer acceptance.

The Fred M. Drew Company, a subsidiary since August, 1951, has a thoroughly modern plant which shipped more than 400,000 cases in the 1951-1952 fiscal year. Fresh fruit canning at this plant has a relatively short processing season of about three months. During the balance of the year, facilities are used to process and can ready to serve foods including more than a dozen varieties of beans, rice, hominy and macaroni products. Although sales are made principally to wholesalers and institutions under private label, the DREW brand is being promoted in the West Coast area.

Both subsidiaries are headed by Fred M. Drew, an outstanding figure for many years in West Coast canning circles. We believe they will continue to prosper as units of Consolidated Grocers.

2035 COMMISSION EXHIBIT 104

CONSOLIDATED GROCERS CORPORATION

1953 Annual Report
For the Year Ended June 30, 1953
Serving the World with Fine Foods

• • •

2043 CONSOLIDATED GROCERS CORPORATON

REPORT OF PROGRESS IN OPERATIONS

ACQUISITIONS AND EXPANSIONS

Consolidated Grocers Corporation made numerous forward steps in strengthening its position in the food industry during the 1952-53 fiscal year. Early in the year the Corporation acquired, through purchase for cash, all of the outstanding capital stock of Royal Blue Stores, Inc., a well-established distributor of foods in Chicago, Illinois and the surrounding area. This firm was one of the pioneers in the development of the voluntary retailer-wholesaler association, its activities in this development dating back about 30 years. During that time it has sponsored a large group of independently owned retail food stores which look to it as a source of supply and for group advertising and merchandising assistance. Consolidated is expanding this operation and is also introducing its known brands into these sponsored stores. Further, Consolidated is expanding the Royal Blue plan to new areas where it already has established distribution facilities.

Another one of Consolidated's important expansion steps during the past year occurred in the Ohio market. The Weideman Company was acquired and its entire operations were revamped to coordinate them with those of the Cor-

poration. This resulted in the establishment of distribution branches in Cleveland and Akron, Ohio, not previously served by merchandise stocks. It further served to enlarge considerably the operations at Canton, Ohio. Warehouse distribution also was established in the Milwaukee, Wisconsin area through the purchase of J & M Steiner Company, a business long established there.

On May 29, 1953, Consolidated acquired all of the net assets of Griggs, Cooper & Company, St. Paul, Minnesota, which has over the past seventy years, been engaged in food processing and distribution and allied fields in a large trade territory. Griggs, Cooper & Company operates branches at Duluth, Minnesota and Fargo, North Dakota. For several years its activities have included the processing of a variety of food products, and the operation of a large wholesale liquor department which distributes leading brands of domestic and imported liquors.

The integration of these various acquisitions gives promise of increased earnings and further stability for the Corporation in the future.

PLANT IMPROVEMENTS

Consolidated Grocers Corporation has continued to make plant improvements and extensions wherever additional facilities are needed or where improved operating results are expected to warrant the investment. In the case of Rosenberg Bros. & Co. Inc., a subsidiary, substantial expenditures were made to provide modern drying and storage facilities at Biggs, San Francisco, and Cement City, California for rice received from growers. Rice milling is an important part of the activities of this subsidiary. Also in the Rosenberg operation, much modernization of equipment and facilities has taken place in the handling and processing of raisins. These new facilities at Fresno,

2044 California are quite revolutionary in their labor-

saving results. Preparations also have been made through enlargement of existing plants at Santa Clara, California to consolidate prune processing at that location. This move will result in very substantial savings in operating costs through the elimination of rent and duplicated supervisory staffs.

Facilities have been expanded in three canning plants in Iowa to provide for the continuance therein of canning previously done at Marshalltown, Iowa. Here also, substantial savings in operating costs have been effected. Consolidated now has under consideration the construction of additional modern distribution facilities to improve those operations. Proceeds from the sale of some existing buildings now owned by the Corporation should cover the cost of new facilities now under consideration.

It is the aim of Consolidated's management to continue to make changes in plant capacities and facilities which will enable the Corporation to go forward in a manner which will successfully meet highly competitive conditions.

DISTRIBUTION PATTERNS

Consolidated's business, just as that of many other corporations, faces constantly changing marketing patterns. The methods employed in distribution of foods at the present time have little similarity to the practices followed 20 years ago. Consolidated has in the past and will continue in the future to do those things which will keep it abreast of the progress of American industry. In the past, many small wholesale distribution operations have had successful histories. At the present time the trend is toward larger operating units wherein modern methods can be applied to move merchandise to retail establishments most economically. In line with this trend the Corporation has continued to watch each operation carefully, so as to weigh the results

accomplished in relation to the capital employed. Wherever an unreasonable relationship was present or appeared in prospect, steps were taken to combine operations into larger units. Last year some small distributing branches were closed and, wherever practical, coverage of the area was transferred to other branches.

MODERN MERCHANDISING

Consolidated's management is convinced of the soundness of a program of cooperation between the production, distribution and retail marketing of food. It has sponsored such programs in the past, and is continuing to promote them on an expanded basis. The purchase of Royal Blue Stores, Inc., was a further step in this direction. Other successful programs of the Corporation, such as the Cardinal Stores, will continue to be supported and extended.

Supermarkets, both chain and independent, are another important group of the Corporation's customers. These aggressive retailers are outstanding examples of low-cost distribution in a nation of mass production and high living standards. Merchandising programs of the Corporation are designed to meet the requirements of this important segment of food distribution.

• • •

2050 CONSOLIDATED GROCERS TODAY . . .

The past fourteen years have been eventful . . in world affairs . . in the economic development of our country . . and in the growth and diversification of Consolidated Grocers Corporation.

While fourteen years is a relatively short span in the life of a business, Consolidated Grocers Corporation, through its divisions and subsidiaries, enjoys a heritage of a full century in the field of food processing and distribution. Each company that has become a part of Consoli-

dated Grocers' organization has brought with it a proud tradition. Generations of American families have enjoyed the fine foods processed and distributed by these companies.

Today the Corporation conducts operations in many important segments of the food industry. Modern management has enabled it to achieve this planned diversification without losing the advantage of a closely knit organization. Underlying its activities is an unusually good balance between food manufacturing and processing on one hand and food distribution on the other.

Consequently, Consolidated Grocers Corporation has become more than the successor to several of the oldest and best-known companies in America. It is now an integrated organization that occupies a strong competitive position in our nation's economy. Its processing and manufac-
2051 turing plants are located in many of the principal food growing areas of the United States. Its coordinated network of sales and distribution facilities reaches into the major domestic markets as well as to key foreign markets.

PROCESSING AND MANUFACTURING

The Corporation's widespread processing and manufacturing operations provide a wide and varied assortment of quality food products, including such specialized items as dietetic foods and dried food seasonings. Modern equipment, constant research in processing methods and rigid quality control of every product assure the consumer the utmost in food satisfaction. The millions of pounds of food products processed last year by the Corporation flowed through practically all channels of distribution.

2052 An example of product diversification within a Consolidated operation can be found in Rosenberg Bros. & Co. Inc,, a subsidiary with headquarters in San Fran-

cisco. Rosenberg is America's leading independent processor of dried fruit, nuts and rice, and Rosenberg customers are found throughout the food industry. Its products are sold through large supermarkets, both chain and independent; to food manufacturers, wholesale distributors and confectioners—in this country as well as in foreign markets.

At Betteravia, California, Consoldiated's Union Sugar Division operates the nation's largest single line beet sugar mill. Union Sugar's current annual production could provide about one pound of sugar for every man, woman and child in the United States. Its output is sold largely to industrial users, bakers, soft drink bottlers, candy and ice cream manufacturers and packers of juice concentrates; sales are also made to supermarkets for direct consumer use. By-products of the beet sugar manufacturing process are sold to industrial users and livestock feeders.

United States Products Corporation, Ltd. and Fred M. Drew Company, two Consolidated Grocers subsidiaries, are leading canners of quality fruit, vegetable and specialty items. A wide diversity of products permits an extended processing season for both companies. Much of their output is sold directly to grocery chains, supermarkets and distributors, including the Corporation's other divisions.

Another subsidiary, Consolidated Food Processors, directs from its headquarters in Chicago, canning, processing and manufacturing plants in seventeen cities.
2053 Formed to coordinate the production activities of several Consolidated divisions, this organization now processes large quantities of food products for many distributors, including our own divisions. Consolidated Food Processors is constantly developing new food products and improved processing methods to keep pace with the progress of the industry.

Still another example of Consolidated Grocers' diversi-

fied character is its Gentry Division, with headquarters in Los Angeles. Gentry is one of America's largest producers of dried food seasonings. Its technicians are continuously engaged in developing new food products through applied research. Most of this division's products are sold to food canners and processors, including meat packers.

Extending the Corporation's program of diversification, Griggs, Cooper & Company of St. Paul, Minnesota, was acquired and established as a division on May 29, 1953. This division has a large production plant that processes and packs a variety of food products.

DISTRIBUTION STRUCTURE

Consolidated Grocers Corporation's overall distribution structure is geared to national coverage. Distribution facilities reach into all major domestic markets.

The Corporation places emphasis on the distribution of products from company plants under Consolidated brands. These lines are supplemented by the products of other manufacturers when needed to service customers properly.

The Corporation's marketing program has been
2054 shaped to meet changing conditions . . to improve its competitive position . . and to utilize combined resources fully. Continuous studies are made of products and improved packaging methods in order to maintain merchandising pressure behind the Corporation's leading brands. Advertising and sales programs have been directed toward areas having the greatest potential for profitable sales.

MONARCH CENTENNIAL

This year marks the 100th Anniversary of Monarch Finer Foods. The observance of this historic occasion has enabled the Monarch organization to use dramatic adver-

tising and merchandising programs to focus public attention on its famous label with the lion head as a symbol of supremacy.

During July, for example, Monarch Finer Foods presented a live lion cub named "Monarch Centennial" to the incoming president of Lions International at the closing session of that organization's convention in Chicago.

• • •

2123 COMMISSION EXHIBIT 116A-C

MEETING OF EXECUTIVE COMMITTEE
OF
GENTRY DIVISION
CONSOLIDATED GROCERS CORPORATION

A meeting of the Executive Committee was held on Wednesday, January 28, 1953, at 11:00 a.m., at 837 North Spring Street, Los Angeles, California.

Present were: Lloyd C. Bellisime
Julian L. Hill
Arthur S. Pettit

Absent were: George E. Clausen, who was out of town
Arthur N. Prater, who was in Oxnard

The Vice President of the Division acted as Chairman of the meeting, and the Secretary of the Division acted as Secretary.

The Secretary read the Minutes of the last meeting, held on Thursday, January 22, 1953. Upon motion duly made, seconded and unanimously carried, they were approved as read.

Mr. Hill advised the Committee that we remitted $50,000.00 to the Head Office on Monday, January 26, and we expect to send another remittance before the end of the current accounting period.

Mr. Pettit reported sales continue at an increased volume. For the current four week period, we are approximately 17¾% ahead of the comparable period last year, and for the year to date, we are approximately 17% ahead.

He said that we have recently obtained a new account on chili, a former customer, namely, Griffith Laboratories in Chicago. We have scheduled a 10,000 pound shipment to go out this week. He added that this is probably just the beginning of a considerable volume of chili business from them.

Mr. Pettit said that sales have continued from our established accounts and from new accounts that continue to be opened. Several cars of onion and garlic are scheduled to roll within the next thirty days. On the overall, business is very good.

Mr. Bellisime informed the Committee that in reference to the statement in the Minutes of the last meeting, having to do with the possibility of expanding Gilroy, we have just had a telephone call from Mr. Clausen, following his discussion with the Head Office in Chicago on that expansion, wherein he stated that Consolidated Grocers has approved the proposal and we are going ahead with that program.

As covered in the Minutes of the last meeting, this
2124 expansion will permit an increase in production by
660,000 pounds over the capacity as it currently exists.

Mr. Bellisime then discussed the chili operation. Within the last couple of weeks, Spices, Inc., a competitor, suspended operations, and as a result there remain only three important factors in the chili business. This should improve the general overall condition.

All in the business have faced increased costs which have resulted in increased sales prices. The recent raises put to the trade are definitely in order, appear to be in line competitively, and should prove favorable profitwise.

Our chili inventories are heavier than they should be, which is something we must all keep in mind. We must work on the possibility of moving chili in relatively large blocks, and every effort must be put forth in that direction. In addition, we must drive for additional business to the small users. Our shipping pods of California and Mexican material are in balance with our normal requirements; our drive must concentrate on ground chili and domestic paprika.

Mr. Bellisime pointed out that our fiscal year closes June 30, which does not permit too much time to move large blocks of chili through normal channels. The overall market is short, but the big shortages will not hit the grinders until August, September and October of this year, which takes us into another fiscal year. Our problem then is to drive now so as to benefit this fiscal year.

Mr. Pettit remarked that he can't see any great relief within the next three or four months, but a drive will be instituted nevertheless.

The matter of the new salesman in the Southwestern area and his activities were discussed. It was agreed that he is doing a good job, and that the former salesman (who is now a broker in that area for a competitive chili supplier) has not noticeably hurt Gentry business in that area. It was also noted that the new salesman has brought back several accounts whom we haven't served in recent years.

Mr. Bellisime said that we have some farming equipment at Oxnard which hasn't been used for some time and which must be disposed of. This equipment has been depreciated considerably on our books and we should at least realize our book value therefrom. Mr. Hill stated that he is going to Oxnard on Friday and will check further at that time.

The possibility of Gentry getting into the manufacture and distribution of dehydrated potatoes was briefly dis-

cussed. Mr. Bellisime advised that questionnaires have been sent to the sales force to determine the advisability of this action. Tests are to be conducted regarding the shrink ratio of the Hollister potatoes that grow adjacent to Gilroy and comparisons made with raw material from Idaho and Oregon.

Mr. Bellisime advised that Thomas J. Lipton, Inc. has given us the "go ahead" signal to produce for them approximately 32,000 pounds of White Onion Flakes, advising that they will also accept the by-product of this production, an equal amount of powder, at a cost to them of approximately $1.40 per pound.

2125 Mr. Bellisime said that we have had innumerable conferences and phone calls with the Lipton people, and they well understand that the high price of $1.40 per pound is brought about by the scarcity of raw material at this time; however, they are willing to pay up to this price in order to keep their onion soup on the market.

Our plant at Gilroy has been instructed to go ahead in procuring raw material in Nevada, the present only source of supply. White onions are very scarce throughout the country, and attempting to get sufficient raw material for Lipton's will be a difficult and expensive task. However, Lipton's is willing to accept the entire yield of both flakes and powder from the raw material obtained.

This matter shows the tightness of the onion market. The entire industry is short of supplies and this account is willing to pay an exorbitant price for onions to keep their product going until new crop production, rather than sacrifice the time, money and effort which have gone into sales promotion, advertising and merchandising.

Mr. Bellisime advised that we have had a report from our sales people to the effect that the Maggi Division of the Nestle Company is anxious to get into the production of an

onion soup competitive to Lipton's. However, they will require a different slice from Lipton's and are interested in the largest slice possible to produce.

We have taken steps to get in touch with these people, suggesting that, due to the scarcity of the raw material and the resulting high cost, they hold their plans off until July or August. It does not seem possible for the industry to take care of their requirements in the event they get into the production of the dry onion soup product in volume prior to new crop. We should receive a report on this situation shortly.

Mr. Bellisime reported that the project of producing oleoresin from raw chili pulp, as discussed in the Minutes of November 6, 1952, is nearing completion, and it is expected that we will have complete data on this matter next week. We are quite enthused over possibilities both for sales and profits. The process yields excellent color at a greatly reduced cost, when compared with production from dry ground material.

Reference was made to our backlog of orders for oleoresin paprika and production is to be increased from eight to ten hours per day, as a means of catching up. Following that, a production run of oleoresin capsicum is to be made.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

/s/ Julian L. Hill
Secretary

2126 COMMISSION EXHIBIT 117A-B

MEETING OF EXECUTIVE COMMITTEE
OF
GENTRY DIVISION
CONSOLIDATED GROCERS CORPORATION

• • •

A meeting of the Executive Committee was held on Wednesday, February 4, 1953, at 3:00 p.m., at 837 North Spring Street, Los Angeles, California.

Present were:

Lloyd C. Bellisime
Julian L. Hill
Arthur N. Prater
Arthur S. Pettit

Absent was:

George E. Clausen

The Vice President of the Division acted as Chairman of the meeting, and the Secretary of the Division acted as Secretary.

The Secretary read the Minutes of the last meeting held January 28, 1953; upon motion duly made, seconded and unanimously carried, the Minutes were approved as read.

Mr. Hill advised the Committee that a check for $100,000.00 was forwarded this date to the Head Office to be credited to our account during the current accounting period.

It was reported that in regard to the farming equipment at Oxnard, as mentioned in the Minutes of the last meeting, equipment is being painted, etc., for the purpose of selling it. Several people have been contacted and are interested in purchasing this equipment, and Oxnard has been advised to check with Mr. Hill prior to accepting any offers.

Mr. Pettit reported sales are approximately 14% plus ahead of the same period a year ago. For the year to date,

we are approximately 16.5% ahead. It was forecast that there would be heavy sales on onion and garlic. L.C.L. shipments, especially out of the warehouses, have been particularly good.

The "Handy Order Book", which has been developed by Gentry and in use a little more than a year, has had wide acceptance, both by customers and by salesmen. Three different addresses are used on these books—the Chicago Office, the New York Office, and the Los Angeles Office, and these are left with the buyer by the Gentry representative. It was agreed that the development of the book was well worthwhile.

Mention was made of our onion and garlic inventory positions. It is hoped that some of the Egyptian onion flakes will be received prior to the end of March. It was agreed that the stock position on onion pieces be watched very carefully, and it may be necessary to scrutinize each order for such merchandise prior to acceptance.

2127 It was reported that here have been some heavy storms in the garlic growing areas in Mexico and there may not be any raw garlic shipped prior to the end of February, although we had hoped that some would be received in Gilroy before that date. It now appears that we cannot expect to receive much fresh garlic at Gilroy before March 15.

It was reported that the necessary raw onions have been procured to produce the onion flakes for Thomas J. Lipton, Inc., as mentioned in the Minutes of the last meeting, and the plant will begin to process this material immediately.

Further discussion was had regarding the possibility of Gentry manufacturing and distributing dehydrated potatoes. It was agreed that the use and acceptability of dehydrated food products were constantly increasing and it is believed that potatoes would fit in very well with our products. Investigation work will continue.

The promotion of Barbecue Spice Mix, one of our newer and profitable items, was discussed, since the season when that product should move in greater volume is rapidly approaching. Suggestions were made as to new descriptive literature, incentive plans, bulletins to the sales force and articles in the "Serenader". Further thought will be given such actions and promotional plans will be underway before the end of the current month.

The practicability of dehydrating dill weed, which is used in fresh state by picklers, was briefly discussed. The suggestion was made that one-half acre of this material be grown and that experiments in dehydrating it be conducted. It was agreed that since dill is seasonal, expensive to harvest and difficult to procure during off-seasons, there may well be a good market for the dehydrated product, provided the proper appearance can be retained during the dehydrating process. Research and experiments will be conducted on this item.

The installation of an improved type of quality control at Oxnard was discussed. This control will reduce to sound laboratory and plant practice some of the procedures which heretofore have been carried out by traditional methods. This control will require the assay of the chili raw material as to its color and performance characteristics and the altering of our warehousing, grinding and blending processes, based on these data. This is a direct practical application of the research results on capsicum spices and should result in improved products at lower costs.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

/s/ Julian L. Hill
Secretary

2128 COMMISSION EXHIBIT 118A-C

MINUTES OF EXECUTIVE COMMITTEE
OF
GENTRY DIVISION
CONSOLIDATED GROCERS CORPORATION

• • •

A meeting of the Executive Committee was held on Wednesday, March 11, 1953, at 10:00 a.m., at 837 North Spring Street, Los Angeles, California.

Present were:

Lloyd C. Bellisime
Julian L. Hill
Arthur N. Prater
Arthur S. Pettit

Absent was:

George E. Clausen

The Vice President of the Division acted as Chairman of the meeting and the Secretary of the Division acted as Secretary.

The Secretary read the Minutes of the last meeting held March 4, 1953. Upon motion duly made, seconded and unanimously carried, the Minutes were approved as read.

The Committee discussed ways and means of eliminating all unnecessary papers and documents from the files and thus reducing filing area and costs. It was agreed that copies of correspondence, pamphlets, printed matter, etc., should be destroyed by the recipient or originator whenever he is reasonably certain that such data will be of no future value.

It was also decided that general correspondence files should be kept for three years only prior to the current year, with the exception of any important or pertinent data,

having to do with company or customer policy, and that a permanent file should be provided for such. Order copies and bill of lading copies of invoices, prior to January 1, 1951, should be destroyed.

Dr. Prater reported that we have started an investigation into the possibility of sorting fresh chili peppers for size through the use of electronic and optical techniques. Such a sorting technique could bring about better grading at very low labor costs. The known sources of supply for this type of equipment and the research groups working on this problem will be investigated.

In regard to the chili operation, it was reported that the two blocks of old crop chili, as referred to in the Minutes of the last meeting, have been sold, and our inventory appears to be in much better balance.

Gentry recently was asked by Thomas J. Lipton, Inc. to consider the possible production of a quick-cooking
2129 rice for lipton's use in dehydrated soups. Preliminary investigation has shown that a method developed by the Western Regional Research Laboratory in Albany shows considerable promise. Unfortunately, the western varieties of rice are not suitable from a consumer acceptance standpoint and the product undoubtedly would have to be made from a long grain rice, available only in the Southern States. The manufacturing details of the process seem to be rather simple, although much work remains to be done on the stability of the finished product and in extending the laboratory process into plant scale production. There are other good marketing possibilities for the product in addition to its use in dehydrated soups.

After discussing the matter, the Committee was of the opinion that while this was a product that could have had possibilities for Gentry had the western rice proven suitable, it appears that this should be either produced in the

long grain rice growing areas or at the point of consumption.

Mr. Pettit reported that sales volume continues at the high level of what it was a week ago. For the first few days of the current accounting period, we are approximately 140% ahead of the same period a year ago. For the last period, we were 58% ahead of the comparable period a year ago—for the year to date, we are about 22% ahead.

Sales are now more consistently in large sized individual orders rather than in car quantities, although we do have one onion powder car to go out this week. We also have the two garlic cars, mentioned in the last Minutes, scheduled to roll as soon as the material has been processed at Gilroy.

In view of the many reservations on hand for onion pieces, and in order to protect those reservations, we went off the market on all orders except those on reservation. The situation will be relieved to some extent by the expected incoming onion pieces from Egypt, but even with this added poundage, there isn't the leeway to continue to sell on spot orders.

In this regard, it was pointed out that this withdrawal on the sale of onion pieces could have a very serious effect on Gentry and will adversely affect sales volume. It was suggested that the salesmen be instructed to immediately contact all accounts holding such reservations in an effort to determine which accounts will need the material immediately and which can be held until after new crop production. In such a manner it is hoped to release some of the material for sale to customers immediately. Mr. Pettit will alert the sales force in this matter.

Our Mexican shipper of garlic has advised that the six cars of garlic, mentioned in the Minutes of last week's meeting, rolled via truck last week, and six more cars are sched-

uled for shipment this week. We are anxiously awaiting arrival of that material.

The Committee discussed the telephone and teletype expenses and some of the bills were examined. It was agreed that constant care must be exercised to avoid excessive use of these utilities and that all personnel are to be instructed to limit their use to business matters which cannot be satisfactorily handled by mail.

Mr. Hill was requested by the Committee to contact Wayne Mayhew & Company in regard to obtaining an analysis of Gentry cost in relation to the entire
2130 onion dehydration industry as well as an industry cost forecast for next year.

The overall problem of dehydration of onions came up for discussion and it was pointed out that the tunnel drying techniques which have proven standard for the industry have been advanced to a relatively high state of efficiency but that the use of these drying techniques possesses inherent difficulties.

It was pointed out that continuous drying methods, such as a conveyor belt dryer, offer many theoretical advantages over the tunnel operation but that the practical application of continuous drying procedures has never been successfully made on any of the products which Gentry produces. It was pointed out that much work remains to be done in this field and that there are sufficient possibilities of practical solutions to the problems involved that Gentry should consider a thorough investigation of this type of drying procedure.

It was pointed out that such a continuous drying procedure, in addition to offering the possibility of a great labor saving, would also make possible a complete elimination of wood splinters along with other possible benefits and economies.

The Committee agreed that this whole subject should be thoroughly explored and an investigative program be established.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

/s/ Julian L. Hill
Secretary

Mailed: March 13, 1953

2135 COMMISSION EXHIBIT 120A-C

Names and addresses of salesmen employed by Gentry and the territories covered by them since April 1, 1951 with respect to Onion, Garlic, Chili Powder and Paprika.

Note: Those persons indicated by an "x" were not employed by the Gentry Division as of October 15, 1958. At some time between April 1, 1951 and January 1, 1956 each of the people so designated held the position indicated.

Name and Address	Territory Covered
William F. White Gentry 125 Broad St. New York 4, New York	Chicago and New York
Harry F. Allen 3882 N. Drew Valley Road, N.E. Atlanta 19, Georgia	Southeast
Joseph D. Farrell Gentry P.O. Box 2076, Terminal Annex Los Angeles 54, California	Midwest and East
Oscar H. Schek Gentry 125 Broad St. New York 4, N. Y.	New York and Northeast

Name and Address	Territory Covered
Nathaniel B. Read 3833 Stanford Street Dallas 25, Texas	Southern States
xMartin Anderson President Hotel San Francisco, California	San Francisco and Northwest
xGeorge E. Clausen, Jr. Gentry P.O. Box 2076, Terminal Annex Los Angeles 54, California	Northwest and Southwest
Everette Varner Gentry P.O. Box 2076, Terminal Annex Los Angeles 54, California	Midwest and Southwest
xMartin Kraham Gentry 3131 No. Lincoln Ave. Chicago, Illinois	New York-Chicago and Midwest
Stuart W. Curtis 104 Chatwood Terrace Webster Grove, Missouri	New York-Cincinnati-Midwest
xLloyd A. Olsten Gentry 3131 No. Lincoln Ave. Chicago, Illinois	Chicago and Midwest
Thomas P. McGill Gentry 3131 No. Lincoln Ave. Chicago, Illinois	New York-Chicago and Midwest
Max Shapiro Gentry 125 Broad St. New York 4, New York	New York and Northeast
xLeroy E. Mackes (address unknown)	Southwest

Name and Address	Territory Covered
xCarl J. Sherrod, Jr. (address unknown)	Cincinnati Area
xEdward C. Estes (address unknown)	Southern States
xEdgar V. Tozer (address unknown)	Southwest
xCharles W. Strecker (address unknown)	Chicago
xLeslie Varb (address unknown)	Southwest
xMaurice E. Atkinson (address unknown)	Chicago
xCharles L. Hawkins (address unknown)	Southwest
xJohn F. Corcoran (address unknown)	Chicago
xElmer Leroy Hickcox (address unknown)	West Coast
xWillard Z. Southern (address unknown)	Chicago
xWilliam Wallas Kearney (address unknown)	Chicago
xFrank J. Schaefer (address unknown)	New York
xJames L. Thomas (address unknown)	New York Area

2138 COMMISSION EXHIBIT 121

August 31, 1953

Mr. Martin Kraham

[Re:] Geo. A. Hormel & Co.
Austin, Minnesota

Dear Marty:

I have for acknowledgement your letter of August 28, as well as copy of letter signed by L. W. Murphy, Service Division, addressed to Prater.

I agree with you that in view of the letter that we now stand to gain nothing by waiting, and I think that now would be the time to start moving.

It would be my thinking that we bring no pressure direct on Hormel through Gentry. I think that pressure should come from Con Grocers and I suggest that at the very first opportunity you discuss the entire Hormel matter with Kennedy and Gifford, showing them Murphy's letter and getting an idea how much Con Grocers buys from Hormel, with the thought in mind that pressure be applied from that end of it.

Perhaps you know all this information but in any event, I would like to hear from you further before any action is taken, by our own initiative, although, of course, the quicker we can institute Con Grocers pressure the better off we are.

Sincerely,

L. C. Bellisime,
Vice President

LCB:am

2141 COMMISSION EXHIBIT 123A-B

BASIC VEGETABLE PRODUCTS, INC.
Vacaville, California
22 September 1958

CERTIFICATE

This is to certify that the information and figures shown on the Report, headed as below:

BASIC VEGETABLE PRODUCTS, INC.
Analysis of Pounds Sold by Product
Years 1950 thru 1957

were taken by me from the books of original entry of this Corporation and are correct and accurate in every way to the best of my knowledge.

/s/ T. A. Brinkerhoff
T. A. Brinkerhoff, Controller
Basic Vegetable Products, Inc.

2142 BASIC VEGETABLE PRODUCTS, INC.
Analysis of Pounds Sold by Product
Years 1950 thru 1957

Year	Total Sales	Onion Sales	Garlic Sales	Other Products
1950	5,873,715	4,693,360	652,059	528,296
1951	11,037,566	8,071,202	832,030	2,134,334
1952	10,017,534	6,976,145	878,879	2,162,510
1953	8,012,514	6,160,254	1,165,629	686,631
1954	8,765,916	7,154,546	1,324,951	286,419
1955	9,834,618	7,812,785	1,765,204	256,629
1956	10,377,362	8,477,213	1,900,149	–0–
1957	10,656,924	8,780,710	1,876,214	–0–

2143 COMMISSION EXHIBIT 124

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 421 Date: 5/13/52
Salesman: RS
Firm Name: Olympia Mushroom Company
Person Contacted: Scott P. Yarboro

Consolidated Grocery is one of Olympia's best customers. Their top management at Michigan Mushroom Company, Niles, Michigan decided that it would be expedient to buy all onion and garlic from Gentry. Yarboro has protested, this without results. Rather than cancel balance of the contract, it was decided to leave it open, although it was doubtful that any additional quantities would be withdrawn.

2144 COMMISSION EXHIBIT 125

San Francisco, California

June 4, 1952

Memo To: J. Benzies

Roy Shaw contacted the Olympia Mushroom Farms at Lacey, Washington on May 13. His general remarks on that contact read as follows:

> "Consolidated Grocery is one of Olympia's best customers. Their top management at Michigan Mushroom Company, Niles, Michigan decided that it would be expedient to buy all onion and garlic from Gentry. Yarboro has protested, this without results. Rather than cancel balance of the contract, it was decided to leave it open, although it was doubtful that any additional quantities would be withdrawn".

I believe the Aurora Frozen Foods Company is also affiliated with the Michigan Mushroom Company.

It is interesting to note our last invoice dates to these three firms:

Aurora Frozen Foods Company — April 25th
Michigan Mushroom Company — " 4th
Olympia Mushroom Company — " 11th

Mr. Scott Yarboro wants to buy from Basic. He likes us and our product. When he was first instructed to purchase from Gentry he did not make the change. Later on instructions came from higher authority and he claims he can no longer buy our product. It is also indicated we will lose their business in the midwest. I suggested to Roy why didn't he recommend to Mr. Yarboro a token purchase from Gentry. Roy feels this would not be satisfactory as Yarboro only obeys orders from the east.

I do not believe you recently contacted the Michigan Mushroom Company and it would seem as though a contact should be made. Perhaps this could be done on your return from Grand Rapids if you are driving to that city. We would like to get the complete story from the management at the Niles, Michigan plant. If they too prefer Basic products perhaps they would be willing to only buy a token order from Consolidated Grocers.

RJS:sk R. J. Sparling
cc: L. L. Raymer Company

Roy Shaw/ Consolidated Grocers file.

2145 COMMISSION EXHIBIT 126

BASIC VEGETABLE PRODUCTS, INC.

Inter Office Correspondence

Chicago, June 13, 1952

Memo To: R. J. Sparling
From: Jim Benzies

Referring to your memo of June 4th, advising that the Olympia, Washington plant of Michigan Mushroom Company had received a letter from their Niles, Michigan, office instructing them to buy onion and garlic products from Gentry in future.

I called at the Michigan Mushroom plant in Niles yesterday and, as we advised you by teletype, found that Mr. Lou Walton had issued such instructions to all Michigan Mushroom's plants after having received a letter from the President of Sprague-Warner (a division of Consolidated Grocers) pointing out that they were large buyers of Michigan Mushroom products and suggesting, therefore, that in future they purchase their onion and garlic from Gentry. I was unable to see the letter inasmuch as Mr. Walton was out of town but, as I suggested in the teletype message, I thought you might want Al Porter to contact Mr. Walton, since they are close personal friends, and see if he could get the letter in question. This would have to be done very soon as Mr. Walton is resigning from Michigan Mushroom to accept another position on July 1st.

It is my feeling that this situation—Consolidated Grocers putting pressure on customers to buy from Gentry—exists only in the Mid West at the present time. As you probably know, Gentry's Chicago offices and warehouse has been moved into the Sprague-Warner building and the President of Sprague-Warner seems to be taking a personal interest in running Gentry's Chicago office and is checking on their

sales in this area. It seems plausible that when Gentry's salesmen call on accounts and find that they are buying onion and garlic from Basic, they report back to the President of Sprague-Warner and he then checks to see if these accounts are selling their products to Sprague-Warner and if so, he then either sends them a letter, or contacts by telephone the head of their sales department, calling to their attention that Sprague-Warner are customers of theirs and suggesting they buy their onion and garlic from Gentry. You can readily see this is a pretty strong club to hold over the customers' head, and it is only natural that the customer will make the switch rather than lose Sprague-Warner's business.

As I previously advised you, this same situation has come up at Oscar Mayer & Co., Quaker Oats, College Inn Food Products, Columbia Conserve and undoubtedly others of which we are not yet aware.

So far this pressure seems to be emanating from Sprague-Warner and, as we said before, is probably due to the fact that Gentry's offices are now combined with their Chicago office, but there is no reason to suppose the same tactics will not be used by Reid Murdock or Lee & Cady, or other wholesale grocer divisions of Consolidated Grocers. I cannot think of any account which we are now serving which does not sell a major part of their production to one of Consolidated Grocers' divisions, and there is no doubt whatsoever in my mind but that this same situation will eventually affect our accounts in other areas outside of the Mid West. I do not know, of course, just what, if anything, can be done to counteract this type of competition, but I feel that if there is anything to be done, it should be done now rather than later when it would be considerably more difficult to combat the situation.

Jim Benzies

2146 COMMISSION EXHIBIT 127A

Chicago, Illinois

May 30, 1953

Memo To: R. J. Sparling

Attached is a letter from Bob Herrick of Michigan Mushroom Company.

It indicates that we will now have their business from their Indiana Plant, the Indiana Mushroom Corp., West Terre Haute, Ind.

Bob said that that plant should use 3,000 lb. of powdered onion up to July 15th, and approximately 12,000 lb. per year.

Have we been able to sell their plant at Olympia, Washington? If not, I will bring this to Bob Herricks attention. We should be able to get that business.

I believe that in spite of Gentrys reciprocity threat, we will now get all of Michigan Mushrooms business.

Bill White

cc: San Francisco

2147 COMMISSION EXHIBIT 127B

Michigan Mushroom Co.
Niles, Michigan

May 6, 1953

Mr. William F. White
Basic Vegetable Products Co.
2376 E. 71st
Chicago 49, Illinois

Dear Bill:

John Fenno, our Indiana plant manager informs me that their "pressure" contract with Gentry has expired and that they will have to purchase Powdered Onion at 62¢ FOB Chicago hereafter if they purchase from Gentry.

Since we are covered till June 30 under your Memo order #C-6168 for "Michigan Mushroom Co. or as otherwise directed" this would seem an excellent opportunity to shift the business back to you people. We understand that the price per this memo order is 60¢ through June 30 and we are instructing Indiana to order from you on that basis.

We also understand that while orders will emanate from and remittances will be from Indiana Mushroom Corp., W. Terre Haute, Indiana, the merchandise will be counted as part of Michigan Mushroom Co. purchases under the above memo order. As you know, Indiana Mushroom Corp. and Aurora Frozen Foods Co. are both wholly-owned subsidiaries and we like, wherever possible, to control buying in the name of Michigan Mushroom Co.

We look forward to your next visit.

Sincerely yours,

M. R. Herrick
Sales Manager

2148 COMMISSION EXHIBIT 128

(6-12-52)

TBASIC VEG PROD SF GA
THIS CHGO OFF
IS THIS RJS GA
YES GA

JIM JUST CALLED ME FROM NILES MICH AFTER HAVING TALKED TO BOB HERRICK AND THE PURCHASING AGENT MR TAYLOR OF MICHIGAN MUSHROOM

THEY GOT A LETTER A FEW WEEKS AGO FROM THE NEW PRESIDENT OF SPRAGUE WARNER TELLING THEM HOW MUCH BUSINESS CONSOLIDATED GROCERS HAD BEEN, GIVING THEM OR HOW MUCH MATERIAL THEY HAD BEEN BUYING FROM THEM AND SUGGESTING THAT MICH MUSHROOM PLACE THEIR FUTURE ORDERS FOR ONION AND GARLIC WITH GENTRY

THEY COULD NOT FIND THE LETTER TO SHOW TO JIM AS LOU WALTON WAS OUT OF TOWN AND HE IS THE ONE WHO ISSUED THE INSTRUCTIONS TO ALL THEIR PLANTS THAT THEY MUST BUY FROM GENTRY IN FUTURE

LOU WALTON IS A VERY GOOD FRIEND OF AL PORTERS AND JIM THOUGHT YOU MIGHT WANT PORTER TO WRITE OR PHONE WALTON AND TRY TO GET THE LETTER FROM SPRAGUE WARNER

THIS WOULD HAVE TO BE DONE PRETTY SOON AS WALTON IS RESIGNING FROM K MICH MUSHROOM TO TAKE ANOTHER POSITION THE FIRST OF THE MONTH AND UNDER THESE CIRCUMSTANCES HE MIGHT BE WILLING TO GIVE THE LETTER TO AL PORTER

JIM GOT THEM TO AGREE THAT THEY WOULD SPLIT THE BUSINESS BETWEEN GENTRY AND OURSELVES

JIM WILL COVER THE OTHER DETAILS OF HIS VISIT IN A MEMO TO YOU TOMORROW BUT HE IS ANXIOUS TO HAVE PORTER TRY TO GET SPRAGUE WARNERS LETTER FROM WALTON GA OR END

THKS END

2149 COMMISSION EXHIBIT 129

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 582 Date: November 12, 1953

Salesman: JB

Firm Name: Indiana Mushroom Company

Person Contacted: Mr. John Fenno

Plant is temporarily shut down due to labor trouble. They took in their last shipment of powdered onion from Gentry, claim that due to Consolidated Grocers being one of their largest customers that they have to give Gentry an occasional order. I feel sure that we are getting most of their business and Mr. Fenno promised to send us an order as soon as they resume production.

J. Benzies

2150 COMMISSION EXHIBIT 130

BASIC VEGETABLE PRODUCTS, INC.

Report No: 44 Date: Jan. 24, 1955
Salesman: AW
Firm Name: Aurora Frozen Foods
Person Contacted: George Stare

George Stare will continue to send his orders direct to our Chicago office. Michigan has asked that he place all orders thru them but George has ignored them on onion & garlic. He said he will continue to do this as he feels there is no economy in ordering the other way.

Of late canning has fallen off considerably—little surplus canning has been called for. Stare said that he sent his last order on 1/13 to Chicago direct. I told him that we are taking these shipments off the contract we have with Michigan Mushroom.

Art Wachholz

Olympia

Olympia Mushroom Farms
NAME

Ingey, Washington
CITY STATE

EST. POUNDAGE Raymer 4 A
SALESMAN CLASSIFICATION

ONION

GARLIC

CELERY

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
3/27/47	S/R	lgs	Gentry	Not packing at present; will in near future, will definitely buy from us
1/29/49	s/r	lgs	Gentry	Has to buy Gentry because his broker sells Gentry products,
3/7/50	s/r	abm		Ordered onion. Sent 2½can samp 1000 with instruc for use in soup and steak sce. Now using BFM soluble cel.
9/15/50	contract			1000 to 1500# mel toa o po - lot 100.
3/23/51	ltr	Raymer	-RJS	Submitted contr fr 4/1/51 to 1/1/52.Hope you will confirm
3/26/51	ltr	rjs to	Raymer	Rct contr O.K. for tot dr on requ 4/1/51 to 1/1/52
9/12/51	ltr	rjs to	Raymer	Shipng 500# M-T Pow On compl contr.Secure contr for bal of yr.
10/12/51	ltr	Reym to	rjs	Would like extension contr.Adv could prob ext to 7/1/52.Pl adv
10/18/51	ltr	rjs to	Raym	Satis to accept contr to 7/1/52 at present prices
11/9/51	ltr	rjs to	Ray	Ret contr 2000# Pow On,3000# max to 7/1/52
5/13/52	s/r	brand	rs	one of Olympia's best cust is consolid groc. Top manage want to buy all on and ga fro Gentry

FEDERAL TRADE COMMISSION
Docket No 7000 COMMISSION Exhibit No. 131-A
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 WITNESS Sparling
REPORTER: [illegible] REPORTING CO.
BY James

9

131 A
2151

REMINGTON RAND INC - 20 32 705-30645 1-47

COMMISSION EXHIBIT 131A

Commission Exhibit 1314

2173

Olympia Mushroom Farms, Inc.
NAME

M/R. YARBOROUGH

Lacey, Washington
CITY STATE

Raymer Brand

DATE OF CONTACT	TYPE	FROM	SALESMAN	L L Raymer REMARKS
7/24/52	ltr	Ray to rjs		Ext;g contr to 12/31/52 if OK
12/22/55	ltr.frm	cust.		interested in the price of Yellow On.Salt soluble.
12/27/55	ltr.to	cust.frm	RJS	quoted prices and shipment on Yellow On.Salt soluble.
1/5/56	ltr to	RJS frm.Raymer		This company was just fish'g around to find out prices.

FEDERAL TRADE COMMISSION
Docket No. 7000 COMMISSION Exhibit No. 131-B
IN THE MATTER OF Consolidated Foods
DATE 1/31/58 WITNESS Sparling
REPORTER: FEDERAL REPORTING CO.
BY James

11 2153 131-B

COMMISSION EXHIBIT 131B

FEDERAL TRADE COMMISSION

Michigan Mushroom Company (NAME) — Docket No. 7000 (COMMISSION / RESPONDENT) — EXHIBIT No. 132-A — Hoxie Benzies (SALESMAN) — 4 A (CLASSIFICATION)

Niles, Michigan (CITY / STATE) — IN THE MATTER OF Consolidated Food (UNION / OFFICE)

DATE 10/21/54 — WITNESS Sparkman (DEPOSITION) — REPORTER: NEIGHAL REPORTING CO.

DATE OF CONTACT	TYPE	IND. INITIALS	PRICE LISTED	REMARKS
2/3/47	S/R	ech	Basic	Mush soup Barley mushroom; sold 600# 155; picked up 11 cs Laff
2/11/47	S/R	ech-rms	"	10 drums Lot 150; production cut; good business assured us.
7/7/47	"	jb	"	Not packing anything at present until September and will not order until that time. Will pack barley mushroom soup in next few weeks and will order 150 in next ten days for that
12/12/47	S/L	"	"	Suggest contract in view of increase in prices; thanked busin.
1/31/48	S/R	"	"	Have been out of production; just started on Mushroom Steak Sauce; will use our Lot 150; have 250#; will order additional in 10 days.
4/1/48	S/R	jb	Basic	Lge inventory finished goods;not canning now; production start again in month
6/18/48	S/R	jb	Basic	Still have 1,000# Po 0 - will last 2 or 3 months.
8/20/48	s/r	jb		Expect to resume prod. on mushroom soup about middle of next mo. & will order Po 0 at that time.
8/24/48	memo rjs to jb			If this cust wants sl o we will ship supply to Chic.
8/30/48	memo jb to rjs			Going into prod next mo and should need 0 Po at that time.
4/16/49	s/r	jb	Basic	Should not need sl o as prod in which they use moves very
5/21/49	s/r	jb		Has stock - will order addtl po o end of month. slowly.
9/16/49	s/r	jb		Took order for 20 cs po o for immed del.
1/27/50	s/r	wfw		Routine call. 13rA
				Uses 200 & 150. Offered Egypt but will not use because of poor qual. Buys cel salt from Pauli Bros in S.F. at .15 per lb.

13— 2155

DEPOSITION EXHIBIT NO. 132A

COMMISSION EXHIBIT 132A

2175

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION Exhibit No. 132-B

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER: [illegible] REPORTING CO.

BY Jones

Michigan Mushroom Company (cont'd)
NAME

Niles, Michigan
CITY STATE ADDRESS

DATE OF CONTACT	TYPE	FROM	SALES-MAN	Write REMARKS
4/11/50	s/r	wfw		Telephoned order for 100# 215 to Chicago office.
4/19/50	s/r	wfw		Ordered 128#-150.
6/7/50	ltr	jb		Quoted new crop prices on po o and sl o.
6/17/50	s/r	jb		Routine call.
1/15/51	s/r	wfw		Will need addit pow on soon. Pckg soup & bxs mushrms
8/13/51	s/r	wfw		Are going to get glass to supplement can quota for steak sauce Well stocked. /ute
3/21/52	s/r	jb		Ord'd 4 c/s 128 # Sl Ons. Pckg steak sce Aurora, Ill & Terre Ha
6/16/52	ltr	jb to cust		MO contract encl. to 12/31/52
6/16/52	ltr	jb to RJS		send box prods to Bryce Taylo Purch Agt above co.
9/20/52	s/r	jb		Have told plants they could buy Basic
10/16/52	s/r	wfw		Gentry mailed contr to 6/30/53 quantities left blank
10/17/52	memo	rjs to jb		OK to offer contr to 6/30/53 on & gar at present prices
10/21/52	ltr	jb to cust		Encl Mmmo Cov Contr requ On to 6/30/53 lvg bal 7950#
1/26/53	s/r		bw	Their Aurora branch placed ord for 750# pwd onion.
3/6/53	ltr	to cust fm	jwh	Encl Manuf Bull & Lab bull FM-1,2,3, & 4.
6/6/53	s/r		wfw	Shd have total pur of on-Ord 2,000# pwd on. Contr extended to 8/30/54
7/6/53	s/r		wfw	Said Gentr phoned announcing price decr of 2¢ per lb. 2157
7/15/53	ltr to cust	fm jb		Told of price revision
10/26/53	memo to rjs	fm jb		Send 2-lb samp sl gar to Mr. Taylor-runningtests on pickles mushrooms
3/19/54	s/r		jb	Send samps Dots 820 & 830 for tests in gar flvd mushrooms
4/21/54	"		wfw	Adv of Gentr pr-sold 1,000# 200 at spot price 15-132B

Michigan Mushroom Co.

2176

Commission Exhibit 132B

COMMISSION EXHIBIT 132B

Michigan Mushroom Co.

NAME

ADDRESS

Bryce Taylor PA.

CITY Niles, STATE Michigan

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
5/26/54	s/r		rjs	Contr agreed to supply on pwd at 46¢ per# FOB Chi for 1,000#
6/21/54	ltr to cust	fm jb		Coverage contr for rqmts fm 7/1/54 to 12/31/54
11/3/54	s/r		rjs	Gave new pr--Consid'g soluble on season'g--cheaper than pwd on.
8/10/56	Contr.	UP TO 25,000#		total requirements of dried Onion & Garlic to 7/1/57.
6/17/57	Contr.	up to 25,000#		total requirements of D. On. & Gar. 6/20/57-6/30/58.
8/13/58	Contract	signed		for total requirements of D.Onion & Gar. up to June 30, 1959

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION Exhibit No. 132-C

In the Matter of: Consolidated Foods

Date: 12/21/59 Witness Sparling

REPORTER: FEDERAL REPORTING CO.

By James

2159

132 C

17

COMMISSION EXHIBIT 132C

Commission Exhibit 132C

2177

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION Exhibit No. 133-1

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER FEDERAL REPORTING CO.

BY James REMARKS

Indiana Mushroom Company
NAME

Box 218
ADDRESS

West Terre Haute, Indiana
CITY STATE

Benzies

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
2/27/52	s/r	jb		Mfgr Mushroom steak sce. Will requ approx 700# Pow On per mo.
6/28/52	s/r	jb		Rec. orders from Niles, Mich to buy Gentry in future
8/30/52	s/r	jb		Pressure forced them to buy from Gentry but adv would buy part requirements from Basic. Will follow with Michigan Co
4/4/53	s/r	jb		Still buys fm Gentr. We get some bus fm Michigan plant.
6/12/53	s/r	jb		Plant temp shut down. Plan on resuming in 2 weeks-will ord then
8/18/53	"	"		Took ord for 1,000# pwd on for immed shpmt
11/12/53	"	"		Shut down due to labor trouble-last shpmt fm Gentr- we get most bus
12/8/53	"	"		Took ord for 1,000# Lot 200
4/13/54	"	"		Has 900# pwd on-most of steak sce made at Aurora, Ill plt
4/20/54	"	wfw		Having labor difficulties
6/7/54	"	jb		Closed due to strike--no immediate prospect of their resuming
7/26/54	"	"		Strike settled-4 weeks before they go into prod
10/1/54	"	"		Contacted.

19

133-A

2161

COMMISSION EXHIBIT 133A

Commission Exhibit 133A

2178

FEDERAL TRADE COMMISSION

Docket No. 7020 COMMISSION Exhibit No. 134-A

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER: FEDERAL REPORTING CO.

BY Gomez

NAME: Aurora Frozen Foods

ADDRESS: 400 River Rd., Aurora, Ill.

CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALES-MAN	REMARKS
5/11/57	s/r		AW	Stare was told to buy Banner Grade onion, pw. from Milwaukee Spice & Snow White On. from us. Gentry didn't like idea. Firm gets better deal this way & better freight. (Codes)
1-18-58	"		"	Order for 30# tin Lot 600, 750 # Lot 415, recent disagreement between Gentry & Milwaukee Spice Mills.

13d 17

23 2165-A

COMMISSION EXHIBIT 134A

Commission Exhibit 134A

2179

FEDERAL TRADE COMMISSION

Aurora Frozen Foods Co.
NAME
Post Office Box 129
ADDRESS
Aurora, Illinois
CITY STATE

Docket No. 7000 COMMISSION Exhibit No. 134-B
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 WITNESS Sparling
REPORTER [illegible] REPORTING CO.
BY James

DATE OF CONTACT	TYPE	FROM	SALESMAN	J. Benzies REMARKS
1/4/54	s/r		aw	Used our gar pwd in mfg of new prod-beef gravy-ord for on pwd
4/24/54	"		"	Ord for 1,500# Lot 200 at 45¢
6/8/54	"		"	Still canning mushroom steak sce-will ord spec'l on pwd soon
7/27/54	"		"	Gentr offered special 46¢ on pr
9/9/54	"		"	Using up Gentr on pwd which was ord'd by mistake.
12/28/54	"		"	Mat has been pur fm Gentr thru Mich main plt-Stare prefers our
3/14/55	"		"	Enuf mat to start on prod of mushroommay ord more 200 fm us mat
5/7/55	"		"	Order for 1,000# of lot 200
6/10/55	"		"	Ple.iss.cov.Contr.for 5,000# of Lt.200 to run thru 12/55.
11/12/55	"		"	Bill to Aurora Frozen Food Co.& not A.F.F. and Mushroom Farms. The latter name is no their order blanks because of a printers
12/10/55	"		"	will check stock and ord.On.Pwd.before new prices go into eff. (mistake.
12/31/55	"		"	won't need material for a month.
1/14/56	"		"	Had a $100,000 fire,burn down the mushroom grow'g bldg.Impossible to give estimate of needs so will not Contract.
3/24/56	"		"	gave me ord.for 750# lt.200 which they will packup 4/13/56.
7/21/56	"		"	plt.cut down to 4 men.590#lt.200 on hand.Don't expect to do any
9/22/56	"		"	more until fall Stare desn't believe production will start bef.Oct.1st,if that soon
10/20/56	"		"	Stare says to expect next ord. soon. as prod. has startd.
11/2/57	"		"	Placed order for 750# lot 415/

24

134 B

2166

2180

Commission Exhibit 134B

COMMISSION EXHIBIT 134B

FEDERAL TRADE COMMISSION

EST. Docket No. 2000 Commission Exhibit No. 134-C 4 A
FOUNDAGE SALESMAN CLASSIFICATION

IN THE MATTER OF Consolidated Foods
UNION

DATE 10/2[illegible] WITNESS Sparling
PUBLIC

REPORTER [illegible] REPORTING CO

BY [illegible] REMARKS

Aurora Frozen Foods
NAME

400 North River Road
ADDRESS

Aurora, Illinois
CITY STATE

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
2/19/47	S/R	jb	Basic	Subsidiary of Michigan Mushroom Company; packing shut down at present.
4/14/47	S/R	jb	Basic	Still shut down until September.
12/2/47	"	"	"	Growing fresh mushrooms, most of which are being shipped to Campell Soup; not canning any themselves
1/31/48	"	"	none	discontinued packing; raising fresh mushrooms
3/31/50	s/r	jb		Have stock - sub of Michigan Mushroom Co.
10/21/50	s/r	jb		Temporarily shut down due to shortage of cans.
10/6/51	s/r	jb		routine call
5/17/52	s/r	jb		Has stock at present
9/10/52	s/r	aw		Use On Pow in mfgr steak sce.Not mfg for a month
10/1/52	s/r	aw		Rec'd orders to buy fr Gentry but disregarded
1/21/53	s/r	aw		Order for 750# on pwd.Bus slowed down over Xmas holidays.
5/6/53	s/r	aw		Prod on stk sce slowed done.Enuf on until Oct
7/9/53	s/r	aw		Gentr pushing for coverage contr but refused
11/21/53	"	"		Ord'd 500# last Mon.
2/1/54	"	"		Steak sce is going very well-best Jan ever.
3/27/54	"	"		Will sell fr asparagus May thr Oct-enuf steak sce for summer
1/24/55	"	"		Will continue to send ords direct to our Chi office

2168 134 C

26

REMINGTON RAND INC-20 M 701-30540 1-47

COMMISSION EXHIBIT 134C

Commission Exhibit 134C

2181

Aurora Frozen Foods Co.

430 North River St.

Aurora, Illinois

NAME

CITY STATE

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION Exhibit No. 134-D

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER: [illegible] REPORTING CO.

BY James

DATE OF CONTRACT	TYPE	FROM	SALESMAN	REMARKS
11/17/56	SR		AW	Wachholz have enough on hand (on. powdr.)

28

134-D

2170

2182 *Commission Exhibit 134-D.*

COMMISSION EXHIBIT 134D

2172 COMMISSION EXHIBIT 135A-B

Chicago, June 27, 1955

Memo to: Mr. J. H. Hume
Mr. R. J. Sparling
From: Jim Benzies
Re: Armour & Company, Chicago.

As I recently reported to you, Mr. Franklin in the Purchasing Department at Armour & Company telephoned me to say we were losing their onion and garlic business, as Gentry had offered them a better deal. Last week, when I returned to Chicago, I checked on this with Mr. Franklin and he said Gentry had offered them exactly the same setup as we now have with Armour on shipping direct to their various plants and that Gentry had tried to get Armour to use onion powder instead of ground onion. This was all the information I could get from Mr. Franklin at that time.

I realized we must be losing some of Armour's business over the past month or so, as they should have been taking in ground onion at their Chicago plant.

Last Thursday, when Bob Stephenson and I visited the Stock Yards, I decided to go over to Armour's and see Mr. Whittingham who is in charge of Armour's Chicago Spice Division. As you know, I am not supposed to see Mr. Whittingham, or any one else in Armour's plant or Laboratory; my only contacts with Armour are supposed to be through their Purchasing Department. We have to be very careful about this, otherwise we could get into trouble with Armour.

Mr. Whittingham told us the reason Armour had not ordered ground onion from us during the past month or so was that Consolidated Grocers had gone direct to

Mr. Specht, President of Armour & Company, and put pressure on him to have Armour & Company use Gentry's onion and garlic. Mr. Specht took this matter up with Mr. Franklin and he (Franklin) gave Gentry an order for 2,000 lbs. of ground onion for delivery to their Chicago plant.

When Gentry's material was received, Armour's Laboratory ran tests and rejected the onion, claiming the moisture count was three times as high as their specifications called for and also that the material was green. Armour requested Gentry to pick up the material but instead of doing so, Gentry sent a man to Armour's Laboratory and they again ran moisture tests while the Gentry man was present; they also inspected the product and agreed it was green in color.

In the meantime, Dr. Prater of Gentry's wrote to Armour's Laboratory and told them that the product was satisfactory and that the green color would not harm the quality of the onion; that it would not show up in Armour's finished products. Dr. Prater also claimed Armour's had made a mistake on their moisture tests and that the moisture count on the Gentry material was perfect. Armour still said they did not want to keep the material and insisted Gentry take it back. Finally Dr. Prater wrote Armour and told them the material was perfect and that Gentry would not take it back.

2173 Neither Bob Stephenson nor I could really believe the moisture count was three times as high as Armour's specifications called for, but, naturally, we did not tell Mr. Whittingham this. Bob Stephenson did tell Mr. Whittingham that if Armour had material on hand with excessive moisture count, that they should use it at once.

Mr. Whittingham said they would use the material right

away and that he doubted very much that Gentry will get any more business from Armour & Company.

I feel that Dr. Prater must have been very sure of himself when he refused to take back the Gentry material; that he must have felt Consolidated Grocers' contact with Mr. Specht would assure them of Armour's business. Furthermore, I do not believe that Gentry will give up trying to get the Armour business just because they had trouble on this first order.

I feel sure that if Consolidated Grocers will go to a company such as Armour, they also will put pressure on a great many of the smaller concerns. You realize, of course, that we lost some of Gerber's business because Gentry went direct to the President of Gerber Products Co.

As you know, at present we are accumulating Armour's orders until they total 1,000 lbs. or more before we order out the material. In view of the foregoing, I think we should continue invoicing Armour on the present basis.

Bob Stephenson will undoubtedly write a report on this contact and will probably have more to add regarding Mr. Whittingham's statements about the green color and high moisture count of Gentry's material.

JB

FEDERAL TRADE COMMISSION

Docket No. 7020 F.T.C. No. 136 A

IN THE MATTER OF Consolidated Foods

ORIGINAL REPORTER Sparling

REVISED REPORTER James

Armour & Company
NAME
Union Stock Yards
ADDRESS
CITY Chicago, STATE Ill.

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
7/20/54	s/r		jb	Franklin & Whittingham awy-cant get anything definite now.
12/4/54	s/r		W	Made Ft. Worth plt cut out use of on juice
12/21/54	memo to rjs fm jb			Send samp T-gr on for experimental work on a new item.
3/3/55	memo to rjs fm jb			Plan to pack bar-b-q sce in #10 cans for institut'l trade
6/8/55	Ltr. Franklin -		JB	Have iss.CONTR.Memo.Or.for same tonnage asprevious Contr.
12/6/55	ltr.toFranklin-		JB	there is an unshipped balance of material due you of approx. 65,000# on Contr.frm.7/1/55 to 12/31/55.
2/28/56	Memo to RJS frm.		JB	was unable to get any information ob Pucc.samples of G.On.& Gar as Carlson of Armour's Lab.is on Vacation.
5/3/56	Memo to JB frm.		RJS	would like to sell Pepperidge F.as they make stuff'g for Armour maybe could get some pull with help of whittingham.
7/17/56	Contr.frm.7/1/56 to 7/1/57			UP TO 200,000# total requirements of dried On.& Garlic.
3/16/57	s/r		RJS	Bertha-good results. B. against uccinelli. St. Paul & FT. Worth still getting Puccinelli 100%. If good results Thur. could regain 7,000 lbs. we have lost here.
8/9/57	Contr		AW	Up to 100,000 pounds of dried onion and garlic

285

136 A

2174

2186

Commission Exhibit 136A

COMMISSION EXHIBIT 136A

FEDERAL TRADE COMMISSION

Docket No. 7000 Exhibit No. 136-B

IN THE Matter OF Consolidated Foods

CAT. 10/21/58 ITEMS Sparkling

REPORT [illegible] REPORTING OFF. James

Armour & Company

Union Stock Yards (NAME)

Chicago, Illinois (CITY, STATE)

DATE OF CONTACT	TYPE	FROM	SALES-MAN	Benzies REMARKS
7/22/53	s/r		jb	Doubled their use of our materials 30,000#
8/3/53	"		"	Their truck to pick up 15,000# Lot 115 at Vaca-to ord shpmts.
9/3/53	"		"	Hold'g ord for 5,000#-will ship when given addit'l weight
10/5/53	memo	to rjs fm jb		Will try to influence L.A. plant to buy fm us
10/7/53	s/r		jb	Franklin prom to check into use of our mat at L.A. Plt
10/21/53	"		"	Has stock-will ord 40,000# mat for Dec.
11/30/53	"		"	Prom ord for 30,000# 115C & 10,000# 815C later in the month
12/8/53	ltr	to cust fm jb		Both white & yell pwd on meet Govt spec-saving on yell on
12/15/53	memo	to rjs fm jb		Confirm our quot on yell pwd on & advise pr effective to 6/30/54
12/22/53	s/r		jb	Gave coverage contr on Lot 300 to take care of Govt contr
1/19/54	"		rjs	Told them Heinz would work with them at Convention-del samps oh
2/5/54	"		"	Tasted 3 batches on soup made with vitalox-send samps T on
2/8/54	"		jb	Still test'g on-info to be completed in week
2/25/54	"		"	Plan to use 7 oz Vitolox & 3½ oz on-will send form to Colvan
3/9/54	"		"	Made soup with Vitolox that was very good
4/3/54	"		aw	Del 12 samp jars Lot 145 for jb
4/20/54	"		jb	To send 8 cs Magic sl on for use in soup at restaurant show
6/1/54	"		"	To change set up on ord'g on & gar-to ship mat direct to plts
6/15/54	"		"	Will advise us how much we shd carry at Elizabeth, Dallas & Chi
6/28/54	"		"	To chge method of distb-meet'g next week, then we'll know
7/20/54	"		"	Will use Lots 200 & 600-due to economy prog-have lost money
8/20/54	"		rjs	Has most of 40,000# we sent 7'1 months ago-bus down.

2176

COMMISSION EXHIBIT 136B

Commission Exhibit 136B

2187

FEDERAL TRADE COMMISSION

Armour & Company (cont'd) — Docket No. 7002 — F.T.C. No. 136 C

NAME

Union Stock Yards

ADDRESS

Chicago, Illinois

CITY — STATE

IN THE MATTER OF Consolidated Foods

DATE 12/31/58 REPORTER Sparling & Hunting Co.

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
				Bensies
4/26/50	memo	jhh to	jb	Based on lab report on Vitalux our tom po should be satis.
6/16/50	memo	wmh to	jb	Find out if branches can specify dried o for their formulas. RJS reports their branchs in SF says formulas specify raw o.
10/12/50	s/r	jb		Has stock - will need gr cel within few wks for beef stew.
1/10/51	memo	rjs to	wmh	Loss of bus. due higher prices than compet. Sug. lower price gr. car. 5¢ per lb.
1/17/51	memo	rjs to	jb	sent samp tom pow to Mr. Shinn
2/8/51	memo	jb to	rjs	Smolelis taken over shinn job as head of new products division Shinn transf to other division
2/8	memo	jb to	rjs	R q samp. gr. pot. for use lab for prod they are working on
3/3	s/r	jb		Mr. Zamon prom. more bus. Using our gr cel in beef stew. Plan to use also in chicken lf now experim on.
3/12/51	memo	jb to	rjs	Pls send 10 can deby gr pots Jean Lepperre, New Prod Kitchen
4/7/51	s/r	jb		Ord'd 22,000# Pow On for gov't contr can'd corn bf hsh
4/18/51	memo	jb to	rjs	Qu 65¢ per lb FOB Vaca Gr Car to meet competition. Can I quote 65¢ price on additional Gr Car
4/20/51	memo	rjs to	jb	Satis to Qu. 65¢ per lb until we obtain another order avail
5/10/51	memo	rjs to	jb	Have 6000# L A1205C for sale at 65¢ FOB Vaca. 5000# Cel Pow/
5/7/51	memo	jb to	SF	Add Mr. A. Smolelis who has replaced Mr. Shinn
5/25/51	s/r	jb		Franklin adv will take inventry next wk & adv when in market for additn'l on & gar. Willcontact next week
6/4/51	memo	rjs to	jb	Dont take new orders 65¢ gr car. New price effect soon

-187-

2178

FEDERAL TRADE COMMISSION

Docket No. 7000 Exhibit No. 136-D

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Spanling

REPORTER A.B.C. REPORTING CO.

BY James

Armour & Company
NAME
Union Stock Yards
ADDRESS
Chicago, Illinois
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALESMAN	Benzies REMARKS
6/7/51	memo	rjs to	jb	Cel inven of 6640# for Armour.Try to get pur order
8/[illegible]/51	memo	jb to [illegible]		Making progress in persuading Libby to use pow on corn Bf Pm
8/13/51	memo	rjs to jb		Sent 1-#10 tin L 0-3?0 & 1-#10 tin L 22-?2?0. Jim will write you about supplyn'. Talk to him with pots.
9/14/51	memo	wfw to jb		Offer to have dj lot to Dry Other dehydrators can undersell & we want to buy pot gr contracts
1/18/52	s/r	wfw		Left samp M-T Oddlave big plans w/crnd bf hsh & bf stew
2/6/52	memo	rjs to jb		Encourage use dr ons bf stew.Shall we send can for test?
2/8/52	memo	jb to rjs		Requ samp.Smolelis told me at Convention that they are chgng corned bf hash formula to incl dehy pots & pow on.
2/12/52	memo	rjs to jb		Sendg 2 cans Dennisons Bf w/Gravy to show Armour
2/12/52	memo	rjs to jb		Appar Sokol is competitr for gr gar
2/22/52	s/r	jb		Claim we are out of line on pr gr gar & ord'd Gentry
3/3/52	memo	rjs to jb		Qu pr Gr Gar 5¢ lower per lb.Try to obtain cov contr here
4/1/52	memo	jb to rjs		Can we supply 1000# Gr Cel this co?
4/17/52	s/r	jb		Ord'd 1000# Gr On for immediate shipm't
7/3/52	ltr rjs to jb.			We just increased order from 2040# to 10000# 815C from bal 16000# 115C to 30000#
9/20/52	s/r	jb		Suffic stock at present.Adv need add'l mater 1st of month
5/11/53	memo to rjs fm		jb	Us'g pwd on & gar in bouillon cubes-claim gr on too coarse
6/29/53	s/r		jb	Have 15,000# Lot 115 & 5,000# Lot 815 in transit
7/14/53	s/r		jb	Inspected car with our mat-damaged-will file claim with RR
7/21/53	ltr to cust fm		jb	Coverage contr for FF gr on & gar to 6/30/54

2180

COMMISSION EXHIBIT 136D

Commission Exhibit 136D

2189

2182 COMMISSION EXHIBIT 137

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 267/55 Date: 11/29/55
Salesman: RJS
Firm Name: Miscellaneous Calls

Frank M. Wilson Packing Co. Stockton, Calif. Bill Lester	Has carry-over from last summer—probably will retain it. Same situation exists with Consolidated Grocers.
Port of Stockton Sausage Co. Stockton, Calif. Carl Bachle	Said he would ask Pauli to ship Basic onion and garlic on next order. Wants to continue to buy from Ward, the old Tyler salesman
Geo. A. Hormel & Co. Stockton, Calif. Rex James	Checked stock. Will be ordering in about 1 week. Halstead now spending most of his time in Fresno where new sausage plant is being built. Order for 3500# placed on 12/3/55.
Alpine Packing Co. Stockton, Calif. Gail Brown	Now buying Basic through McClintock-Stern.

2183 **COMMISSION EXHIBIT 138**

BASIC VEGETABLE PRODUCTS, INC.

Report No. 17/56 Date: Week Ended 1/21/56
Salesman: RJS
Firm Name: Miscellaneous Calls.

Stokely-Van Camp, Inc.	The last purchase of 5,000 lbs. will last until April. Has no requirements now. Nothing new is planned. Will continue on pork and beans until season starts. Stokely has puchased Fairmont Canning Co.
Gerber Products Co. Oakland, California	New standards should make it difficult for Gentry material to be approved. De Alcuaz thinks this may help us get business at Fremont.
F. M. Wilson Co. Stockton, Calif.	Routine call.
Madonna Food Inc. Riverbank, Calif.	Still has enough onion. Use at this time of the year is limited. Next time material required, will order 500 lbs. Thinks he can handle 500 lbs. at a time during off season.

2184 COMMISSION EXHIBIT 139

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 274 Date: 8/21/56
Salesman: V.C.T.
Firm Name: Misc.

George A. Hormel Stockton, Calif.	Have been closed down for three weeks. Have about a 1000 lbs. on hand.
Flotill Products Inc. Stockton	Mr. Lewis will order before or on Sept. 1st 5 or 6000 lbs. of onion for the Modesto plant. Everything else okay.
F. M. Wilson Inc. Stockton	Will not be buying this year, claims they are still using what they purchased in 1953.

2185 COMMISSION EXHIBIT 140

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 128 Date: Week Ending 5/17/57
Salesman: V.C.T.
Firm Name: Miscellaneous

Alpine Packing Co. Stockton	This firm recently purchased garlic from McClintock Stern but had to send it back as it had sand in it. They placed an order with Pauli & Son which they will continue to do business with.

Contadina Foods Riverbank	Jack informed me that they had submitted samples of our products and our competitors products to Stapgie and the university to find out which one was the most pungent. I also met San Provenzano of Woodland and Frank Devito of the San Joe plant. I gave Mr. Sparling the list of samples I wanted sent to these men.
Milk Foods Inc. Modesto	This firm will mail in check this week.
F. M. Wilson Stockton	Gave Bill Lester new crop prices as they will use some merchandise this year.

2185 COMMISSION EXHIBIT 141

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 173 Date: Week Ending 8/17/57
Salesman: V.C.T.
Firm Name: Miscellaneous

Rio Linda Foods Rio Linda	Gave me an order for 4 cs. Lot 855 and 1 cs. Lot 140 packed 2 - 9#. Turned this order in to Earl.
Bercut Richards Packing Co. Sacramento	Don told me he would be placing an order around the 15th of Sept. for their pick up. I also met Tom Richard Sr. and Jr. They wanted me to give the Hume's their personal regards and said the next time they were over to be sure and stop by and say hello.

Geo. A. Hormel Stockton	Just received their order last week of onion and garlic.
F. M. Wilson Stockton	Was unable to talk with Bill Lester but he told the receptionist to tell me they had already made arrangements for this year.
Farm Foods Ceres	Just placed an order for 3 cs. Lot 855 —this is our first order in some time. Hope to get some of their onion business.

F. M. Wilson Co., Inc.
NAME

ADDRESS Cherokee Lane

CITY Stockton, STATE Calif.

DATE OF CONTACT	TYPE	FROM	SALES MAN	REMARKS
11/23/54	s/r		rs	Happy with Gentr stew tom on-hand, no surplus.
3/29/55	"		"	Enuf on & spices left to last thru '55.
9/8/55	"		"	Still has considerable Gent.Cn.left frm.last year.
11/29/55	"		RJS	Has carry-over last summer probably will retain it.
8/21/56	"		VCT	Will not be buy'g this yr., claims they are still us'g what they purchased in 1953.
5/17/57	s/r		VCT	Gave new crop prices as they will use some merchandise this yr.

Docket No. 7020 Exhibit No. 142 A

In the Matter of Consolidated Foods

Date 10/21/58 Identified

Reporter HCE

By James

2-5

8187

Commission Exhibit 142A

COMMISSION EXHIBIT 142A

F. M. Wilson Co., Inc. (cont'd)

NAME

Cherokee Lane

ADDRESS

Stockton, California

CITY STATE

Docket No. 7070 Exhibit No. 142-B

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 REPORTER Sparling

BY James

DATE OF CONTACT	TYPE	FROM	SALES-MAN	S.F.	REMARKS
6/26/52	s/r	rs			Lester adv will buy ons from us for stew toms.Stange mix for catsup
7/23/52	s/r	rs			Ord'd 1800# Ch On.Working w/Stange on other spices
7/24/52	ltr	rjs to cust			Encl M/O for 1800# Ch On.Adv shortage pepps & celery
9/9/52	s/r	rs			Asked we ship 1,800# Lot 125.Asked prot for1,000# additional.
9/10/52	ltr to cust.				Sent 1.800#. Prot them for another 1,000# of ch on at pres pri
10/2/52	s/r	rs			Lester thinks 1,800# will be emf for st tom pack.
11/5/52	s/r	rs			Concerned about Stange spice mix prce-thinks it is salt & suga
12/12/52					Contr:Up to 1,800# Sp ch on to 7/1/54
3/10/53	s/r	rs			Nothing new.
5/14/53	s/r		rs		Will use BASIC on in pack'g st tom.No chge in plans
8/5/53	"		"		Will pack 50% more st tom than last yr-change contr
8/6/53	ltr to cust fm	rjs			Increased contr for up to 2400# of sp ch on
10/1/53	s/r	rs			Will finish tom next week
10/14/53	"	"			Has 3 drums of on left-wont return them-feels pr will go up
11/20/53	"	"			Reminded of $7.50 deposit on drums-to take care of it
12/30/53	"	"			Reminded of $30 drum deposit due
3/25/54	"	"			Rec'd quot fm Contr-wouldnt say what it was-send contr
4/27/54	"	"			Contr gets bus this yr-wont have money tied up in drum deposit
6/15/54	"	"			Lester said there was no chge in plans
7/12/54	"	"			Not int'd in batch size on 4 gal.
8/31/54	"	"			Still run'g peaches-tom in 2 weeks.
9/13/54	"	"			Will start tom this wk.Thot black-eyed peas good.

2188

COMMISSION EXHIBIT 142B

Frank N. Wilson Company (contld)
Waterloo Rd at Harding Way (PO Box 1329)
Stockton, California

FEDERAL TRADE COMMISSION
Docket No. 7022 Docket No. 142-C
Consolidated Foods
Sperling
1/31/52
Gentry

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
12/7/49	s/r	rjs		Kado arrangements thru rjs to sell surplus o and g to Nob Hill - now having difficulty collecting their money.
5/1/50	ltr	rjs		Quoted new crop prices.
5/18/50	s/r	rjs		Still have sufficient stock.
9/27/50	s/r	rjs		Discussed the pep and o in theirch sce - thought it was very poor pack altho they liked it. Int in buying raw o for canning
10/4/50	s/r	rjs		Bill Lester enjoyed visit to our plant - explained to him reaso o did not show up in ch sce was due to small quan used.
1/25/51	s/r	rjs		Lester did not like stewed tomato pack. Gentry has been trying to get business for cats pack next year - Giffith and Stange trying to sell mix.
2/26/51	s/r	rjs		Took contr 600# Lot 130 for Chili Sauce.Use Stange mix on & car base for cats.Requ.protect on price & supply.
2/28/51	ltr	rjs to	cust	Encl contr dr on requir.ch sce.Also incl.pr Sp Cats On & Sp Cats Car
3/9/51	ltr	rjs to	cust	Ret.contr600# max Dr On & Car Requir to 12/31/51
7/12/51	s/r	rjs		Will use 130 for chili. On po will be in Stange mix. Not int in gr pep
9/19/51	s/r	fhh &	rjs	Use Stange cats mix & ch sce mix.Satis & doesnt exp to change
1/10/52	s/r	rjs &	Shaw	Thoroly sold on Stange catsup mix.
3/21/52	s/r	rs		Will pack stew toms add'tn tom products.
6/4/52	s/r	rs		Lester out. Left card

301

2190 142 C

Commission Exhibit 142C

COMMISSION EXHIBIT 142C

2197

Frank M. Wilson Company (cont'd)

NAME

Waterloo Rd at Harding Way (P.O.Box 1349)

ADDRESS

Stockton, California

CITY STATE

FEDERAL TRADE COMMISSION EXHIBIT No. 142-D

REF. POUNDAGE S.P. CLASSIFICATION

DOC. NO. 9080 ONION VALENCIA

INT. GARLIC Consolidated Foods

CEL. 10/31/B CELERY SPEARMINT Sparling

REPORTED BY McGREGOR

DATE OF CONTACT	TYPE	INIT. INITIALS	NOW USING	
10/27/48	ltr from cust			Ret contract signed by James
10/29/48	ltr rjs to cust			Sent cust 2 exec cop of contr.
12/25/48	s/r	lgs		Enthusiastic over special catsup onion.
3/9/49	s/r	rjs		Have contract - they have not made definite plans as to their manufacturing.
4/15/49	s/r	rjs		Have still not definitely decided to pack catsup.
5/4/49	s/r	rjs	Basic	Could not see lester - have not been able to discuss Stange mix with this customer.
5/10/49	ltr	rjs		Adv of change in prices on contract.
5/26/49	s/r	rjs		Discussed prices and Stange Mix with Bill Lester. Not int in carrots.
8/4/49	s/r	rjs		Took order for 1100# 105 and 420 805. Sending samp of coarse grind garlic before shipment is made. Obtained samp of Stange mix which has been offered to Wilson. Mr. House adv int in buying onions for canning.
8/9/49	ltr	rjs		Send tin boiling and garnishing onions. We will have small raw onions available for sale.
9/1/49	s/r	rjs		Ordered 1520# lot 805. Pointed out to Lester he uses too much garlic as he rehydrates in vinegar.
10/7/49	s/r	rjs		Not packing as much material as planned - ran test using Stange mix and everyone like it. Pointed out economics in using a prepared mix.

30 2191 142D

F. M. Wilson Company
Waterloo Road & Harding Way (PO Box 1324)
Stockton, California

Case No. 7020 Commission Exhibit No. 142-E
IN THE MATTER OF Consolidated Foods Sparkling
DATE 10/21/58
REPORTED BY Jones
1

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
1/20/47	S/R	dwt	Gent	P A away; word passed to FWW to contact him in east; Hope met him on train and gave him the picture of Basic
3/12/47	"	"	"	Satisfied Gentry customer, but asked to call back 2-3 weeks
5/13/47	"	lgs	"	Already ordered from Gentry; will give us any additional
9/25/47	"	"	"	Cutting back pack and will not be able to give us any business
10/31/47	"	"	"	Will not be int. in op until April1 will consider basic at that time
4/8/48	S/R	lbs	Gentry	Introduced #105; showed interest
4/16/48	S/L	rjs		Sent samples 200 & 105
4/24/48	S/R	lgs		Sample not arrived yet; lab info on Spicecoating effective & lessened interest in them; Will work with #105; Gentry established here but may have a chance to get in
5/7/48	S/L	rjs	Basic	Thanked for order; allowing 20% on trial order; sent samples for Mr. Frank Wilson
5/8/48	S/R	lgs		1 cs #105 & 1 cs #130; interested in #105 altho already bought for this pack
8/21/48	s/r	lgs		What they will pack has been covered in contract from Gentry
10/23/48	s/r	lgs	Gentry	Lester int in 105 because of ease in handling. Only used 1400# O & G. Offered them contr for next season at new prices.
10/26/48	ltr from cust			Asked for contr covering 500 to 1500# Sp cats O at 5¼¢ # and 200 to 500# GP at .672¢ lb.
10/26/48	ltr rjs to cust			Send 4 copies of contr for their signature - explained disc schedule and thanked for business.

3192
142 E

Commission Exhibit 142E
COMMISSION EXHIBIT 142E
2199

2194 COMMISSION EXHIBIT 143

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 10. Date: March 3, 1951
Salesman: J. Benzies
Firm Name: College Inn Food Products
Persons Contacted: Mr. J. Martinson and Mr. G. E. Carlson

Took order for 480 pounds powdered garlic also arranged to increase and extend their present contract to December 31st.

J. Benzies

2195 COMMISSION EXHIBIT 144

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 2059—Industrial Date: January 21st, 1952
Salesman: Bill White
Firm Name: College Inn Food Products
Person Contacted: Jack Martinson

Contacted Jan. 18th and Jan. 21st. Wanted 6 lb. sample of Chopped Onion for laboratory—and wanted it for Jan. 21st. Picked up material from Spaliss Food Products and delivered it to Mr. Martinson. Martinson was called out & I didn't have a chance to get further details.

2196 COMMISSION EXHIBIT 145

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 11 Date: Feb. 19, 1952
Salesman: JB
Firm Name: College Inn Food Products
Persons Contacted: Mr. J. Martinson and Mr. Nate Fox

As I previously reported Consolidated Grocers have been putting pressure on College Inn to use Gentrys materials. College Inn ran tests on Gentrys white onion powder, but their lab claimed it contained a large percentage of yellow. I had given them samples of our yellow onion powder and College Inns lab reported that our yellow was better than the white onion powder that Gentry submitted. College Inn is still on the spot to buy from Gentry, but I think we will still get some of this business even if we have to start and sell them our yellow onion powder.

J. Benzies

2197 COMMISSION EXHIBIT 146

BASIC VEGETABLE PRODUCTS, INC.

Inter-Office Correspondence

Chicago, February 25, 1952

Memo To: Mr. R. J. Sparling
From: Jim Benzies

I recently wrote you regarding Consolidated Grocers putting pressure on College Inn Foods to use Gentry's products, due to the fact that Consolidated is such a large customer of College Inn.

As you know, in the past we have always sold College Inn Foods our Powdered Onion, Lot 200-C, and Powdered Garlic, Lot 600-C.

When this deal came up with Consolidated Grocers I furnished College Inn with samples of our Yellow Powdered Onion and asked them to run tests on it. College Inn's Laboratory are of the opinion they can use our Yellow Powdered Onion and, due to the attractive price on this product, we may be able to keep Consolidated from getting into this account.

Our present instructions are to contract on Yellow Powdered Onion only to July 1, 1952. I am wondering if, in view of the circumstances outlined above, we would be willing to contract College Inn for the balance of the year on Yellow Powdered Onion, if we can get them to use this product in place of using competitors material.

JB

FM

2198 COMMISSION EXHIBIT 147

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 175 Date: June 7, 1952
Salesman: JB
Firm Name: College Inn Food Products
Person Contacted: Mr. J. Martinson

Has stock at present.

J. Benzies

2199 COMMISSION EXHIBIT 148

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 579 Date: November 8, 1952
Salesman: JB
Firm Name: College Inn Food Products
Person Contacted: Mr. J. Martinson

This is one account that we have lost due to the pressure put on them by Consolidated Grocers. They pack a great deal of material under private label for Consolidated and were afraid of losing this business. I am still continuing to follow with College Inn and hope to arrange to get at least part of their business.

J. Benzies

2200 COMMISSION EXHIBIT 149

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 588 Date: December 8, 1952
Salesman: JB
Firm Name: College Inn Food Products
Persons Contacted: Mr. J. Martinson and Mr. G. E. Carlson

This is one account we have lost due to Consolidated Grocers putting the pressure on them. College Inn packs a large amount of material for Consolidated Grocers under private label and Mr. W. Eliel the president of College Inn has issued instructions that they have to use Gentrys materials. We will continue to follow on this.

J. Benzies

2201 COMMISSION EXHIBIT 150

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 15 Date: Jan. 19, 1954
Salesman: RJS
Firm Name: College Inn Food Products
Person Contacted: Jack Martinson

This firm cannot buy from us under any circumstances due to pressure by Consolidated Grocers. I asked whether they could buy from us if we undersold Gentry by $.05 a pound. The answer was "No."

The Chicago newspapers carried a notice that this company has just been sold. Very likely purchaser is Consolidated.

2202 COMMISSION EXHIBIT 151

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 44 Date: Jan. 28, 1954
Salesman: AW
Firm Name: College Inn Food Products

This company has been taken over by Consolidated Grocers.

A Wachholz

2203 COMMISSION EXHIBIT 152

BASIC VEGETABLE PRODUCTS, INC.

Inter-Office Correspondence

Chicago, February 1, 1954

Memo To: Mr. W. M. Hume
From: Jim Benzies

The College Inn Food Products in Chicago has been purchased by Mr. Cummings, Chairman of the Board of Consolidated Grocers. The story is that Mr. Cummings wanted Consolidated Grocers to take over College Inn and when they refused to do so, he took it over himself.

Mr. Martinson of College Inn informs me this will not alter their buying policy—that they are still obligated to buy from Gentry as approximately 60% of their pack goes to Consolidated Grocers, either under College Inn label or private label.

JB

2204 COMMISSION EXHIBIT 153

BASIC VEGETABLE PRODUCTS, INC.

Inter-Office Correspondence
San Francisco, California

February 1, 1954

Memo To: R. J. Sparling

With reference to your report No. 15, College Inn Food Products, I understand that this company has been purchased by Nathan Cummings, President of Consolidated Grocers.

If this is the case all of their business would naturally be placed with Consolidated Grocers.

/s/ WMH
W. M. Hume

WMH/ej

2205 COMMISSION EXHIBIT 154

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 29 Date: February 12, 1954
Salesman: JB
Firm Name: College Inn Food Products Co.
Person Contacted: Mr. Jack Martinson

Mr. Martinson now admits that College Inn has been taken over by Mr. Cummings who is head of Consolidated Grocers. This doesn't change their buying of onion or garlic as he still has instructions to buy everything from Gentry.

J. Benzies

2206 COMMISSION EXHIBIT 155

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 143 Date: Sept. 29, 1956
Salesman: AW
Firm Name: Consolidated Report

1. Homemade Noodle—placed order for 250# of lot 200 & 250# of lot T100. Also said to have broker see him whenever potato granule was available. Said he could use 1,000# now if we had it.
2. Best Kosher—can wait until next week before shipment of R820. If our car gets in on time we can then ship 500# in one order. I am to call John Mann Monday Oct. 1.
3. Blue Seal products—Dorothy McMahon said that not much onion & garlic has been purchased of late. I can see that I will have to be most persistent to get some of the business away from Gentry. Consolidated's relationship with Gentry is almost always mentioned. It seems to be the feeling that it is no more than right to give business to Gentry.
4. Rival Pkg.—Lost 10,000# order of Onion-garlic mix to Gentry. O'Halloran said he thought he would get us this order for sure. When he went to the Pres. Mr. Gedlin for an okay, Gedlin told him to give Gentry the order as they had the contract with Gentry. Jim said he would do all he could for us the next time. So far they are not writing a further contract and it doesn't seem that they will. Mr. Gedlin or Getlin is the man who recently took over Rival and is tied up somehow with Consolidated.
5. Meat Industry Suppliers-Friedman wasn't too impressed with our lot 700 but upon further consideration placed an order for 30 cases.

A. Wachholz

2207 COMMISSION EXHIBIT 156

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 74 Date: May 4, 1956
Salesman: AW
Firm Name: Rival Packing
Person Contacted: Jim O'Halloran

Yesterday I quoted Rival 60¢ fob Vacaville and 63¢ FOB Chicago on the onion-garlic mix which consists of 17# lot 600 and 13# lot 200. Today O'Halloran called me and asked me if this was our best price as competition was about 2¢ under this price.

I assumed competition was Puccinelli so I called on Rival and went over various reports and tried to point out the importance of moisture in such a mix and also flavor strength.

O'Halloran then told me competition was Gentry and that Gentry's price was about 2¢ under ours. He told me this in confidence & asked that I not say anything about this for a while. . . . on about April 15 the controlling stock of Rival was sold and though Consolidated has not come under control directly the powers of Consolidated are in some way now in control. The Gentry price O'Halloran now believes is a result of the close relationship.

Rival had trouble with Gentry a while back and Jim thought that if our price were competitive he would swing at least half the business. Mr. Katz recently called him in and told Jim not to do anything on onion & garlic before talking the matter over. Katz then explained the following to him. The news of stock turnover has not been out to O'Halloran's knowledge and he asked me to be sure and not say anything or it would come back to him.

I consider the information very good as O'Halloran is

married to a girl whose brother plays on our local baseball team. We developed a nice friendship and are acquainted with many people in common. O'Halloran is very sincere and I don't believe he is trying for a better price. Am having lunch with him Tues. & will try & find out more.

A. Wachholz

RIVAL PACKING COMPANY
4500 South Tripp Street
Chicago, Illinois
CITY STATE

Doc. No. 7600 Exhibit No. 157-A
In the matter of Consolidated Foods
Date 10/21/58 Sperling
REPORTER: ACE REPORTING CO.
BY J. [illegible]

DATE OF CONTRACT	TYPE	FROM	SALES-MAN	REMARKS
4/14/56	S/R		AW	will need On.-Garlic mix, June 1 and will place ord. middle of May.
4/28/56	"		"	Ord. for 10,000# Vg378 should come up in 2 or 3 wks.
5/5/56	"		"	Get'g ready to take 10,000#On.Garl.ord. wanted fob Chicago & Vaca
10/2/56	"		"	lost 10000# ord to Gentry(on.& gar.) prom for next time altho contract unlikely
10/20/56	SR		"	Told J. O'Hal prob. be incr. in price for specially packed material Gentri told him the same thing they had no comment
2/9/57	s/r		AW	Will be needing 10,000# of onion-garlic pow. mix within 9 wks. Would like quotations-soon. Try to give us business.
3/23/57	s/r		AW	Lost this order to Gentry.
6/15/57	s/r		AW	Getting ready for another 10,000# shipment. Gave them new prices but old situation -- tieup with Consolidated exists.
4-19-58	sr		AW	Experiments using our lots 610 & 415 very satisfactory, they placed order with Gentry, no chance for business here.

319

157-H
2208

COMMISSION EXHIBIT 157A

2210 Commission Exhibit 157-A

Rival Packing Company

4500 South Tripp Street

Chicago, Illinois

Docket No. 7402 Commission Exhibit No. 157-B

Benzies

Unclassified Docket

DATE: 12/21/58

REPORTER: Sparling

BY: James

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
5/25/49	s/r	jtm		Using our onion in their dog food - buying from Griffith. Gave samp of our Economy for testing. Wm. Kavanaugh, P/A said their requirement will be about 1000# per weeks.
6/4/49	s/r	jtm		
7/9/49	s/r	jtm		Chemist on vacation so tests will not be run for another 2 wks
12/1/49	s.r	wfw		Lab needs another week or 10 days to complete tests on samples left with this account.
12/27/49	s/r	wfw		Buy po o on contr which expires Jan. 50. Excellent prospect for 415.
2/11/50	s/r	wfw		Buy from Pucc and Cavannaugh says they still have material left on their contract - he will call.
3/20/50	s/r	wfw		Routine call.
11/15/50	s/r	wfw		Mr. Cavannaugh - buyer - out.
11/29/50	memo	mmh to wfw		Can't get to see Cavannaugh - believe they are confusing us with Basic Foods.
8/14/52	s/r	aw		Sugg jb make an appointment with Cavannaugh and take sno wite and yellow o po to offer them.
8/20/52	memo	jb to rjs		wants quo on fr fl and economy on - covered for rem of yr
8/21/52	s/r	aw		Buy'g thru Griffith in 1# bags.Can we pack same for them?
9/11/52	ltr	jb to cust		Left samps frsh flav & economy on pow for tests
9/18/52	s/r	aw		Conf'd pr qu by AW & gave gen'l info
9/23/52	s/r	aw		Compl'd pr too high.Use about 1000# On Pow per wk
9/30/52	s/r	aw		Inter in Tests for Eval Quality of on & gar prod
				Left info on evaltn dr on & gar.Liss will submit to chemist.

2209

Commission Exhibit 157B

COMMISSION EXHIBIT 157B

2211

FEDERAL TRADE COMMISSION
Docket No. 7000 Exhibit No. 157-C
In the Matter of Consolidated Foods
Date 9/21/58 Sparling 157C
Reporter: FEDERAL REPORTING CO.

Rival Packing Co.
NAME
ADDRESS 4500 South Tripp St.
CITY Chicago, STATE Ill.

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
12/31/54	s/r		aW	Wachhols Hope to be able to place a 10,000# ord after Jan 10th shpmt.
1/31/55	"		"	Centr trying to sell them on a pool car shpmt of 10,000#
2/4/55	"		"	Quoted 58¢ per#-didnt get exact figs like this fm Centr.
2/11/55	"		"	To ask Centr for ltr explain'g figs-will go overltr with me.
2/22/55	"		"	Offered 10,000# veg mix at 57.3 del-will let us know tomorrow
3/7/55	"		"	Slow bus & high inventories make them hestitate on 10,000#
4/19/55	"		"	Gave ord for 2,000# on-gar mix del May 2nd shpmt.
5/13/55	"		"	asked for lower price.519 FOB Vaca. If purc.20,000# inst.10,000
5/18/55	"		"	Gav.P.O.for rema.2,000# On.& Garl.holding in wareh.,Order for 10,000#
6/16/55	"		"	Ple.Cov.for ~~1,000~~ 10,000# of VG 378 thru 12/55,likely ord 2nd Qtr.
8-2-55	"		"	Had trouble with Centry material - Basic onion-Garlic mix, holding up perfectly.
9/12/55	"		"	Will know about Oct.15th when will need 10,000# shipment.
10/7/55	"		"	order 10,000# onion & Garlid.
11/23/55	"		"	Haven't even begun to use material we recently shipped them.
1/7/56	"		"	Bill said he would sign Contr.for 10,000# shipment.
1/21/56	"		"	B.Cavanaugh has not as yet signed the Contr.,reported a compet. of ours gave him a better prices than the one we offer. 2210
2/4/56	"		"	Would let us know when decided to contract.
2/11/56	"		"	Cavanaugh in hosp.with Gallstone Oper.will not be back until 3/1
2/25/56	"		"	Cavanugh not yet back frm.hosp.perhaps next wk.
3/10/56	"		"	ord.bef.price increase,55,has enough for several months yet.

2212
Commission Exhibit 157C
COMMISSION EXHIBIT 157C

FEDERAL TRADE COMMISSION

Docket No. 7000 Exhibit No. 157-D

IN THE MATTER OF Consolidated Foods

DATE 10/31/58 Sparkling 157 D

REPORTER A.E.E. REPORTING CO.

BY James

Rival Packing Co.
NAME

4500 South Tripp St.
ADDRESS

CITY Chicago, STATE Ill.

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
1/6/54	memo	to aw fm	rjs	Wachholz Gave pr for pwd on packed in 12 oz bags in fiber drums
4/14/54	s/r		aw	Likes new pr setup very much-experiment'g with on oils & juice
4/16/54	"		"	Gave samps pwd & gr on for experimental purpose for juice
5/1/54	"		"	Wont do any more on pwd on til they're satis on juice isnt the answer
5/27/54	"		rjs	Showed how on pwd could be used at less cost
6/11/54	"		aw	Will get on juice so our lab can make an analysis of prod
6/17/54	"		"	Had some on juice 7'l weeks old-didnt think it would make good samp
6/22/54	"		"	Sent samp on & gar juice to Vaca-needs prompt action
7/20/54	"		"	Went over rpt by Bert Borders-surprised salt was in it
7/30/54	"		"	Still undecided whether to use on pwd or juice-might use both
8/16/54	"		"	Wants to know how soon we could get shpmt Lot 200 to plt.
8/17/54	"		"	We shd get best portion of bus-will use 1500# each month.
9/8/54	"		"	Want infor on firms reject'g on juice in favor of pwd.
9/13/54	memo	to rjs fm Chi.		Want on pwd & gar pwd mixed-want our best pr for such a mixture
9/15/54	memo	to rjs fm jo		want 30# mat to a drum if poss-might amount to 50,000# a yr.
9/24/54	memo	to aw fm	rjs	1st ord completed-hope we obtain lge ord
9/29/58	memo	to rjs fm Chi.		Want mixture of pwd on & gar packed 30-lbs to the tin.
10/4/54	s/r		aw	Gentr submitted quot on mixed on & gar of 64¢ per# del 2211
10/12/54	"		"	Anxious for our 1st 2,000# shpmt of mixed on & gar to arrive
11/1/54	"		rjs	Likes our mat-decided to use 5-gal tin-somewhat against contr
11/24/54	"		aw	Rec'd 2,000# shpmt on & gar mixture-OK to make up 4,000# more
12/16/54	"		"	Liss will try to give us the majority of bus.
12/20/54	memo	to aw fm	rjs	Encl Lab rpt #9797 on analysis of on & gar mix 322

COMMISSION EXHIBIT 157D

Commission Exhibit 157D

2213

FEDERAL TRADE COMMISSION (cont.)

Docket No. 7088 COMMISSION Exhibit No. 157-E Wechhols

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Gearing

REPORTING GOVERNMENT REPORTING CO.

BY James

Rival Packing Company
NAME
4500 South Tripp St.
ADDRESS
Chicago, Ill.
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
10/27/52	s/r		aw	Gave res.oni.powd.test. Int.in 20,000# oni.powd. They are paying .62/lb.del. Basic quoted .58/lb.fob Vac.
11/6/53	s/r		aw	Comparing costs. If savings are enuf,chance of busi. good.
11/17/52	ltr	aw	to cust	Gave info Pow On pckg & shipment costs
11/25/52	s/r	aw		Requ quot 30,000# ship't on pow paper bags in fibre drums
12/16/52	s/r	aw		Ord'd min 1000# to test for caking
2/6/53	s/r		aw	Hadn't recev'd our pwd in drums.Should be shortly.
2/13/53	s/r		aw	Chemist tested our matr'l & Griffith Matr'l.Thinks Griffiths appeal to dogs more than ours.Will test 2 prod in end prod.
3/18/53	s/r		aw	Report on our on not made yet.Centr man said he could supply on pwd packaged in any manner for 60¢ per # fob, Chi.
4/10/53	s/r		aw	Our on pwd hasnt been tested yet.
4/17/53	s/r		aw	Our on not tested yet-Centr mansaid on pwd not properly used.
4/29/53	s/r		aw	Dog food mix contains 2% oil.Wld this deat on pwd suff?
5/11/53	s/r		aw	Got samp on pwd by Griff-believe mat is well-make analysisples
6/8/53	s/r		aw	Griff pushed yell on pwd-not satis with it-will stick to white
9/23/53	"		"	Centr push'g for bus-not int'd-claim they'll give us bus
1/20/54	"		"	Believe poss of getting bus good-doesnt care for Centr salesman
2/9/54	memo to aw fm rjs			Get better acquainted with chemist-one of your best prospects
3/9/54	s/r		aw	Will be difficult to chge without good reason
3/15/54	memo to rjs fm jb			Govt inspection here so doubt if they could use Snow White on
3/31/54	s/r.		aw	Int'd in new pr set up-investigating on & gar oil
4/1/54	memo to rjs fm aw			Wants to know cost on a 10,000# shpmt in Vaca for on pwd in 200# drs

157E

2214 COMMISSION EXHIBIT 158

J. H. Hume

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 188 Date: June 2, 1954
Salesman: BW
Firm Name: Wass Food Products
Person Contacted: Max Slater

Gentry has worked the reciprocity angle to the hilt here, and Consolidated takes so much of Wass's production that it's been very effective.

Our best approach as I can see it, is quality and I am pushing this hard here.

2215 COMMISSION EXHIBIT 159

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 79 Date: March 31, 1958
Salesman: AW
Firm Name: Consolidated Report

1.	Blue Seal Food Products Co. 3400 West 48th St. Chicago, Ill.	Brought over sample of lot 415 which was dated March 5 and told them this sample was representative of the material we have in stock and would ship to them on any order. This material would be satisfactory and is much better than the material we shipped on last order . . . this was supposedly yellow.
2.	M&C Products Co. 1820 North Major Chicago, Ill.	All seems well . . Mr. Curotto reports Pucc is around "giving their onion & garlic away."
3.	Wass Food Products 1042 West Randolph Street Chicago, Illinois	Talked with Max Dinisman & felt that he was more encouraging than before. Previously he has put me off by bringing up July contract date with Gentry. Spoke of 2 sources of supply and I am hoping this will work out.
4.	Mullins Bar B Que 4042 West Lake Street Chicago, Ill.	Onion & garlic is mixed with spices & purchased through Wixon Spice Co. Bar B Q business increasing very well with Chicago chains.

A. Wachholz

2216 COMMISSION EXHIBIT 160

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 140 Date: June 14, 1958
Salesman: AW
Firm Name: Consolidated Report

17. Wass Foods Co. 1042 West Randolph Chicago, Ill.	Dinisman took our prices, said he would check them with what he was paying and decide on source of supply. If Gentry's prices are the same he said he would not consider us. Will absolutely not look at demonstration of Bertha and will not even consider quality comparison with Gentry's products. Account looks doubtful at this point.
18. Rath Pkg. Co. Sycamore & Elm Street Waterloo, Iowa	Please send blank contract to Mr. Sweitzer for items on last years contract.
19. Ole's Food Products Co. 1428 North Kilpatrick Chicago, Ill.	Please send contract to Mr. Les Gustafson for 1,500# of lots 130, 600 & 815.
20. Wanzer Dairy Co. 130 West 55th Street Chicago, Ill	Norman Cree, Chemist, is experimenting with Cottage cheese type chip dips and I supplied him with samples of lots 200, 600, 100, 120 & t 120. Asked for any formulas we might have.

Art Wachholz

COMMISSION EXHIBIT 161A

FEDERAL TRADE COMMISSION

Weiss Food Products Company
NAME
1042 West Randolph Street
ADDRESS
Chicago, Illinois
CITY STATE

EST. No. 7000 FOUNDATION Bennies LAB. No. 161-A
IN THE NAME OF SALESMAN Consolidated Mfrs. CLASSIFICATION 13 4 B
DATE 1/21/48 WITNESS Sparling
REPORTER Harry C. GEN. REPORTING CO.
BY Jan REMARKS

DATE OF CONTACT	TYPE	INIT. INITIALS	NOW USING	
3/5/47	S/R	jb	Basic	Not producing French dressing; will resume when business does
3/18/47	S/R	jb	"	Have been advised by Epstien, Reynolds & Harris, consulting food chemists, that our e p contained over 100,000 bacterial per gram and mold; garlic contained 34,000 per gram; advised to discontinue using our products; will take Stephenson to thi account next week.
4/8/47	S/R	jb	"	Stepehnson talked to chemist regarding last report
5/19/47	"	"	"	Submitted new samples to consulting chemist and received ok so will continue using Basic; will order in few weeks
10/25/47	"	"	"	Discontinued manu. french dressing; not using onion or garlic
1/7/48	"	"	"	Will manu dry soup mix for inst. and will use BASIC; follow
4/14/48	S/R	jb	none	Not using onion or garlic;will use in dry soup later
5/12/48	"	"	"	Situation unchanged
7/2/48	S/R	jb		Ordered 3 cs 215 and 3 cs 600
10/19/48	s/r	McP	Basic	Placing order for 350# lot 200 & 150# 100 plus figures for contract for coming year. Showed McP ltr from Sokol & Co offering Wh Po O at 50¢# (Simplot).
1/22/49	s/r	jtm		Buying from Milwaukee Spice.
2/5/49	s/r	jb		Routine call.
4/30/49	s/r	jb		Routine call.
5/19/49	s/r	jtm		Made deal to buy out material thru distributor but has found advantageous to buy from us.

161 A

2217

U.S.C.

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION Exhibit No. 161-B

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER: FEDERAL REPORTING CO.

BY James

Vase Food Products Company (cont'd)
NAME

1042 N. Randolph St.
ADDRESS

Chicago, Illinois
CITY STATE

Benzies

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
12/15/52	s/r	wfw		Sold 3 drums L200 & 6 c/s L600.
3/6/53	s/r		bw	New item "Meat-Mate"-meat seasoning. Cont pwd onion.
7/16/53	s/r		wfw	Forwarded check for past due acc't
8/6/53	s/r		wfw	Check for frt cover'g Mil Spice shpmt has been forwarded
10/7/53	s/r		jb	Provoked because we asked for payment-said he'd deal with Centr
10/19/53	"		wfw	Could we consider 60 or 90 day billing with this firm?
5/3/54	ltr to cust fm		rjs	Is the new Open Pit Bar-b-q sce available on west coast?
5/17/54	s/r		bw	Personal ltr to Mr. Slater fm rjs helped
6/2/54	"		"	Centr worked reciprocity angle to the hilt here- best approach is qual
8/5/54	"		aw	Bitter towards us-credit entaglement
9/4/54	"		"	Asked for some bus-said they'd think about it.
10/2/54	"		"	Non commital on pur fm us.
3/10/56	"		"	Slater back frm. hospital after operation. has been very cordial but in a very pleasant way says he can't help us with any bus.
11/10/56	"		"	M. Slater died last wk, advised to return in 2 wks.
12/8/56	"		"	Will take our samples and compare quality, have 2 sources of supply
4/20/57	s/r		AW	Sat. with Centry see not reason to change. Would like to see Bertha though.
12-28-57	"		"	Will see Bertha after Jan. 1st.

330

161-B
2219

COMMISSION EXHIBIT 161B

Commission Exhibit 161B

2219

FEDERAL TRADE COMMISSION

Docket No. 7017 Docket No. 161-C

IN THE MATTER OF: Consolidated Foods

Date 10/31/58 TYPE: Speaking

REPORTER: [illegible] REPORTING CO.

BY James

Nass Food Products Company (cont'd)

1042 West Randolph Street

Chicago, Illinois

DATE OF CONTACT	TYPE	INIT.	NOW USING
10/21/49	s/r	jb	
12/30/49	s/r	wfw	
2/18/50	s/r	jb	
4/19/50	memo	wfw to rjs	
4/19/50	s/r	wfw	
10/18/50	s/r	wfw	
10/16/50	s/r	wfw	
11/31/50	s/r	wfw	
11/14/50	memo	rjs to wfw	
2/14/51	s/r	wfw	
3/12/51	s/r	wfw	
3/15/51	ltr	jb to cust	
10/30/51	ltr	jb to cust	
1/4-1/25	s/r	wfw	
2/18/52	s/r	wfw	
11/4/52	ltr	jb to cust	

Routine call.

Will be int in buying parsley as soon as it's available.

Routine call.

Int in large parsl leaf and placed order for one case.

Buy thru Milwaukee Spice - sold 60# po car and 436# lge pars leaf - adv on 4/21 would not be able to supply with parsley.

Pleased with material in drums - int in good large parsley leav and still experimenting with powdered carrot.

Bot 2 cs T-150 for expermenting in soup base.

Wants to try T-155 for instit soup mix - still exper with po carr in soup base. Int in pars - buying from Sokol but not satis with qual - Gen has offered them pars but they prefer not to buy from Gentry.

Feel sure we will have parsley for this firm - no price yet.

Sold 2 c/s ea Lot 600 & Lot 100 & 3 c/s Lot 200

Has dev. tom sp base with BASIC Pow Tom. We unable supply but located some Basic at Sokol/which Wass purchsd

Ext. expir. date contr to 12/31/51 & incr tomg

Enc contr for on and gar to 6/30/52.

Adv. about yel pow on & pr. Mater. on hand fr Dec. shipment

Sold 750# Pow On

Encl M/O contr requ dr on & gar to 6/30/53

2220

161C

331

DENNISON BANK TAG - 50 NO. 7000-00000 1-57

2220 Commission Exhibit 161C

COMMISSION EXHIBIT 161C

Lake Odessa Canning Co.
NAME

Lake Odessa, Michigan
CITY ADDRESS STATE

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
				White
12/4/53	s/r		wfw	Had previously used our mat & pr being equal prefers to do so
12/4/53	ltr to cust	fm jb		Coverage contr for rqmts of pwd gar to 6/30/54
3/19/54	s/r		jb	Pack dog food for Morrell -also will pack for Humboldt Canning
5/25/54	w		rjs	Sold all cats & juice packed-on pwd will be needed for cats
7/6/54	ltr to cust	fm jb		Coverage contr to 6/30/55
9/14/54	s/r		"	Not going to pack cats this season
2/21/54	memo to rjs	fm jb		Send gift box mat to W. Reed, Jr.
11/4/54	s/r		rjs	Using Basic exclusively-add'g 20,000# to coverage contr.
9/14/55	letter	fm.WMH		Sent to me a letter of p introduction.

FEDERAL TRADE COMMISSION
Docket No 7000 COMMISSION EXHIBIT No. 162-A
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 WITNESS Sparling
REPORTER'S NAME RECO. REPORTING CO.
BY James

333

162-A
2223

COMMISSION EXHIBIT 162A

Commission Exhibit 162A 2221

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION EXHIBIT No. 162-B

Lake Odessa Canning Company — NAME

Lake Odessa, Michigan — CITY, STATE

IN THE MATTER OF Consolidated Foods — 2 B 1 CLASSIFICATION

DATE 10/21/58 MARKED Sperling — 3 A

REPORTER: A.O.E. REPORTING CO.

BY James

DATE OF CONTACT	TYPE	INIT. INITIALS	NOW USING	REMARKS
2/12/47	S/R	ech-rms	Basic	Canning hamburgers, no onion; will test 110,115,120, left spl
5/9/47	"	"	"	Pack Beef&Gravy for Army; no onion or G; expect to pack CBH and will consider using our onion
5/20/47	S/L	"	"	Prices, discounts on PO; pointed out advantage of contract
7/24/47	S/R	ps	"	Just shipped 700# Lot 200; say catsup pack to be small and president of company prefers raw onion; say buy raw onions topped and rooted; said they didn't think would need any more powder this year; wants a copy Lab Report 1311 and info about using free flo in catsup; also send FM 1-2-3-4-20-21-22-25-26
8/9/47	S/L	rjr	"	Solen letter about free flo; sent above info ////16-52
4/21/48	S/R	jb	"	Buying thru Woolson Spice Co.
8/26/48	memo rjs to jb			Awarded cont by Chic QM Depot for 60,000# of beef and gravy.
12/4/48	s/r	jtm		Reed, P/A., not in office at time of call.
2/4/50	ltr	jb		In rep to their inquiry quoted on po o.
3/27/50	s/r	wfw		Have bot o and g po for present run to 7/1950. 3334 2223
5/8/50	ltr	jb		Quoted new crop prices on po o and g.
1/17/51	s/r	wfw		Canning sauc w/gravy QM contr. Using our pow on & car thru Woolson Spice Co. This co. offered 2500# pow on 3 4lb/ lb. Contry???
11/23/51	ltr	jb to	cust	Offering Yel Pow On & Pow Gar, for Govt contr bid. 162
9/5/52	ltr	jb to	cust	Send'g samps Pow On & Gar & qu pr
1/27/53	s/r		bw	Not in prod at present time. Specializes in Govt. contr work.
9/29/53	s/r		jb	3 yr contr with Morrell to pack canned Red Heart dog food

DENNISON BAND INC. 20 32 700-20040 1-47

2222

Commission Exhibit 162B

COMMISSION EXHIBIT 162B

2225A COMMISSION EXHIBIT 163A-B

Report No.: 51 **Date: March 22, 1954**
Bill White

[Re:] J. J Gielow & Sons, Inc., 6600 Wyoming Avenue, Dearborn, Michigan

As mentioned in previous reports, Gentry has been using the reciprocity threat very heavily on this account.

Mr. Gielow's statement to me today was that he is just going to have to buy from Gentry as his hands are tied. He indicated that he prefers BASIC material; that he is very appreciative of the way we have handled the account, and that the service has been excellent and satisfactory to him in every respect; but that he just doesn't see any way out.

I had previously suggested to him that he give a small share of his business to Gentry if necessary; that they would have no way of knowing if they were getting all of it or not. At that time he accepted this as a good idea. However, he said today that Gentry had been able to tabulate from their purchases thru the different divisions of the Consolidated organization, and possibly by checking with his other suppliers, very close figures on the quantities involved. He assures me that the information didn't come from anyone in his own organization.

L. J. Gielow also stated that he has been able to stall Gentry for the last several years, but "this was it, the cards were on the table this year". As far as I can determine this matter has been handled verbally; no letters have been written. The reciprocity situation was stated clearly to L. J. Gielow by Gentry Sales Manager, Marty Kraham; and to Gielow's Sales Manager by executives of the various divisions of Consolidated Grocers before they would agree to contract for private label packs.

I have used a number of approaches to the problem, pointing out for instance that the switch meant tampering

with Gielow's very successful formula, and possibly affecting quality; that an organization reduced to such tactics to sell their material obviously had inferior material. I appealed to Gielow's pride in mentioning that no supplier had a right to dictate to him.

Mr. Gielow is in agreement with most of these statements, but again stated that he didn't see any way to avoid the situation. Gielow has promised that if Gentry gives him any excuse at all, he will certainly buy the balance of his material from us.

I have also pointed out that Gentry may not be able to take care of his requirements, but Kraham has already advised him that the material for the Adel Georgia plant is ready to ship.

2225B As of this writing, it would appear that any business we might get from Gielow will be for the Croswell Michigan plant later this year.

I want to make it very clear that the coverage contract agreed to by Gielow is not firm in respect to having shipping dates to back it up, and it is possible that he will not use the material from us at all. The principal reason for making the coverage is to keep ourselves in the picture.

Mr. Gielow was most clear in stating that it was not a matter of price. That even if we were several cents lower, it wouldn't change the reciprocity situation. Our main hope at this time seems to be that Gentry would not be able to meet the delivery schedule.

One other bit of information is that Kraham promised to make early shipment to Adel without any change in the billing date. That is the material would be billed later.

Personal relations with L. J. Gielow and his brothers, Marvin and Roy are excellent; they have been most pleased with service and quality in the past; the reciprocity argument advanced by Gentry is the only issue.

I have promised to keep in close touch with L. J. Gielow, and he is most agreeable to this.

Bill White

J.J. Gielow Co.
NAME
Croswell, Mich.
ADDRESS
CITY STATE

Copped

L.J. Gielow PA.

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
10/4/57	sr		RGC	Suggested use of garlic with pickles, will try. Send sample o
				of 1/8" cut sweet red pepper, having trouble with Gentry's.
3-20-58	sr		RGC	Has contract with Gentry, will supplement with Basic Lot
830, 300#s at time.				
7/15/58	sr		RGC	Gave him samples of 130 & 830, wont sign Cont now

FEDERAL TRADE COMMISSION
Docket No 7222 No. 164-A
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 Gunling
REPORTER ACE
BY Jamie

338

2226

COMMISSION EXHIBIT 164A

Commission Exhibit 1641

2225

Commission Exhibit 164B
COMMISSION EXHIBIT 164B

...TRADE COMMISSION

...No. 7600 ... Exhibit No. 164-B

IN THE ... Consolidated Foods

DATE 10/31/58 FILE Sparling

REPORTER ... ACE REPORTING CO.

BY James

JJ Gielow NAME
6600 ... ADDRESS Detroit, Mich.
CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALES-MAN	REMARKS
2/20/57	s r		RGC	Checking results of our Garlic Powder after it is filtered through a Sparker Filter.
4/17/57	s/r		RGC	Please send samp. for experimental work before ordering.
5/16/57	s/r		RGC	Are maki..g progress here but it is very slow due to setup with Gentry through Consolidated Gro. Gentry discouraged them from using pow. gar. in pickles, and they will follow their advise again this year.
7/12/57	s/r		RGC	Convinced Gielow it wuld be to his advantage to continue with his experiments for the use of Gar. Pow. in pickles Will follow up.
8/15/57			RGC	I'M to call plant-Croswell,Mich.-give information to Mr.Gielow use of garlic powder in their pickle pack. L.J. stated will use an order of Basic if Roy OK's it. Basic will get repeat orders if they use garlic powder.

337

J. J. Gielow & Sons, Inc. (cont'd)

6600 Wyoming Avenue

Dearborn 1, Michigan

Benzies

FEDERAL TRADE COMMISSION

Docket No. 7020 F.T.C. No. 164-C

Consolidated Foods

Canning

10/31/58

ACE

DATE OF CONTACT	TYPE	IND. INITIALS	HOW USING	
7/2/52	ltr to	tp rjs		wanted unshipped bal on contract increased to total 3000# ch on and 3500 # sl ga
9/24/52	s/r	tfw		See report on freight rates, etc.'
1/2/53	s/r	wfw		Ord'd 30,000# L130 & 845
1/28/53	ltr to cust fm	rjs		Contr: 400 cs sl gar;260 cs ch on to 12/31/53.
5/26-28	s/r	wfw		Have suff quan 845 & 130 till Jul-will contact in June
7/15/53	ltr to cust fm	jb		Told of revision in prices
8/7/53	s/r	bw		Made last minute plans to make an additional pack
12/1/53	"	"		Centr bearing down hard to buy their mat
5/21/54	"	"		Left card-will contact next trip
6/15/54	"	"		Gielow away-indication that Centr has supplied this firm
11/4/54	"	rjs		Refused to see us-buys Centr beaause of reciptrocity deal
3/22/56	"	ROC		mr. Gielow was out of town,sold one of their plts.to Roddenbery of Ga.,has two plts.there good for propects for Atlanta Broker
1/10/57	s/r	ROC		Gielow not sat. with Centry. Inter. in r. gar. & oils. Stephenson to write ltr.regar. matter, good prospect.
8/16/57		ROC		Wants pickles to have a heavy flavor of garlic.

340

16 1C 2227

Commission Exhibit 164C

COMMISSION EXHIBIT 164C

2227

J. F. Gielow Sons, Inc. (cont'd)

NAME

4189 Cabot Street

ADDRESS

Detroit 10, Michigan

CITY STATE

FEDERAL TRADE COMMISSION

DOCKET NO. 7000 FILE NO. 164-D

INTERVIEW Consolidated Foods

DATE 10/21/58 MADE BY Sparling

REPORTER: A.C.E. REPORTING CO. James

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
				Benzies
11/28/50	s/r	wfw		Dr Jennings at Ga. plant so was not able to get any further on substit of po o & g for juices.
12/12/	memo	rjsto	jb	Ext.expir.date contr to 6/30/51.Lg buyer sl gar.
1/	/	wfw		Want 3000# additional Lot 845,Will sign contr for on & gar.
		wfw		Sold 4032# L 845 & 4000# L 130.Also contr to 5000# L 845 & to 4000# L 130 to 12/31/51.Gielow said giving us tot requ this yr
3/27/51	ltr	jb to	cust	Encl contr est.requ Sl Gar & Ch On to 12/31/51
4/2/51	ltr	fm		Encl. signed contr for dr o & g to 12/31/51.
7/10/51	s/r	wfw		Have taken over Croswell Pickle Co. plant and Detroit oper. has been moved here. Plan to use gar and on - will experiment with ga first
9/4/51	memo	rjs to	wfw	Att Lab Rep.RMS covered gar juice his analysis
9/18/51	s/r	wfw		Prepared gar juice w/ L 600.Will take bal on contr before yr end
1/13/52	s/r	wfw		Ord'd 240# Ch On.About to lose bus.because of Gentry offer
3/4/52	s/r	wfw		Requ for Ga/plant are 8028# Sl Gar & 8040# Ch On.Doubln'g prod in Adel & may also incr prod at Croswell
3/4/52	ltr	jb to	cust	Shipng on & gar order to arr 5/1/52
3/18/52	s/r	wfw		Shipng to Adel 84 c/s L 130 & 139 c/s L 845.Figures for Croswl plant 84 c/s L 130 & 139 c/s L 845 10,044 lbs.See lengthy rep.
3/19/52	memo	Chi to	rjs	Issuing cov contr 2000# Ch On & 2000# Sl Gar to 12/31/52
4/22/52	ltr	wfw to	cust	Sent 10# samp Minc On to Adel,Ga.plant
5/21/52	s/r	jb		Adv. them 1% dis wod apply on stopover car shipments

3411 164-D

COMMISSION EXHIBIT 164D

Commission Exhibit 164D

2228

2231 COMMISSION EXHIBIT 165

BASIC VEGETABLE PRODUCTS, INC.

Inter-Office Correspondence

Chicago, April 18, 1956

Memo To: Mr. R. J. Sparling
From: Jim Benzies
Re: The Woolson Spice Company, Toledo, Ohio.

I called on this account last week and had a very nice visit with Mr. MacMillan.

Mac told me that Woolson Spice have contracted with Consolidated Grocers to supply all Consolidated outlets from coast to coast with packaged spices, both consumer and institutional sizes, and this includes onion and garlic packed in these sizes. All this material is to be packed under the private label of each of Consolidated's Divisions. Mac figures this business will amount to about $500,000.00 annually.

Consolidated Grocers have been doing this packaging at their Pierston, Indiana, plant, but have now shut down this operation and sold all the equipment, etc. to Woolson spice.

On the basis of this contract, Woolson feels obligated to buy everything from Gentry. Mac gave me an order for 600 lbs. of material for immediate shipment, and said he would "throw us a bone" whenever he could, but in view of

the new setup with Consolidated, they must give the bulk of their business to Gentry.

Mac also told me that the concern that bought Jas. H. Forbes Tea & Coffee Co. recently are now trying to sell this business. Woolson Spice is considering buying the Forbes business. If this deal should go through, it will mean we will lose the Forbes business as well as Woolson's business.

Gentry is now handling most of Ohio out of their Chicago office, and seem to be concentrating on accounts such as Weller, Lake Erie Canning, Gypsum Canning, La Choy, and other larger accounts. This means we will have to give closer and more frequent attention to the accounts in that area.

JB

WOOLSON SPICE COMPANY
NAME
SUmmit & Sandusky Sts.
Toledo 1, Ohio
ADDRESS
CITY STATE

Consolidated Foods
10/21/58 Gentry
BY James

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
6/8/55	Ltr.Mac.	frm.	JB	Drawn up a Blan.CONT. for 30,000# from ~~6/8/55~~ to 12/31/55
CONTRACT	FOR up to 30,000 lbs			from July 1, 1955 to June 30, 1956.
11/17/55	S/R		RGC	spot ord.for 1000# conbinat on On.& Garl.,Mac was unable to help us much with Gentry's proposed prices.
1/25/56	CONTR.	1/1/56 to	7/1/56	Partial Requirements of 25,000# of Onion and Garlic.
2/10/56	S/R		RGC	good shape, routine call.
6/20/56	Contr.	frm.7/1/56 to	7/1/57	UP TO 5,000# ~~total~~ Requirements of dried On.& Garlic/
3/1/57	s/r		RGC	Increase co.tr. 3000#.
5/28/57	Contr.	up to 10,000 #		requirements of D. On. & Gar. 7/1/57 to 7/1/58.
8/13/57			RGC	Trying to make a spice mix for the dressing at reasonable price. for Silver Foods Inc. using Basic garlic. Tom also has formula on a season blend that would compete with Lawry's.
11/12/57	Sr		RGC	To date has bought 8460 #s.
1/21/58	sr		RGC	order for 9 c/s lot 810C.
3-18-58	sr		RGC	Order for 9 c/s lot 810.

1 6.

3/4 2232

3

Commission Exhibit 166A
COMMISSION EXHIBIT 166A
2231

Woolson Spice Company (cont'd)
NAME
Summit & Sandusky Sts
ADDRESS
Toledo 1, Ohio
CITY STATE

FEDERAL TRADE COMMISSION
DOCKET NO. 7000 CLIENT NO. 166-B
IN THE MATTER OF Consolidated Foods
DATE 9/21/58 PURPOSE Spacing
REPORTER: H.C. James EXT. ENDORSED

DATE OF CONTACT	TYPE	FROM	SALESMAN	Benzies
3/19/52	ltr	jb to cust		Encl contr to 12/31/52. Pls sign & ret.
3/22/52	s/r	jb		Ord'd 180# Pow Gar, 300# Fr-Flo Gar, 300# Fr-Flo On.
3/25/52	ltr	rjs to cust		Rct contr 12,000# On & Gar requ to 12/31/52
5/24/52	s/r	jb		Ord'd 300# Pow Gar immediate delivery
9/20/52	s/r	jb		Ord'd 300# Pow Gar & 48# Pow Gar - packed 2/30 & 24/1s
11/28/52	ltr	rjs to cust		Encl contr 6000# On & Gar to 6/30/53
6/23/53	ltr to cust fm	jb		Incr tonnage by 10,000# & extend'g contr to 7/1/54
7/15/53	ltr to cust fm	jb		Told of price revision
8/7/53	s/r		jb	Has stock at present-agreed to adjust inv for on & gar shpd
9/17/53	ltr to cust fm	jb		Chge distb disc fm 5% to 10% to distb
10/28/53	s/r		jb	Picked up competitors ltr showg 10% disc allowed selling #10
12/11/53	ltr to cust fm	rjs		Given new pr
2/11/54	ltr to cust fm	jb		Correct pr on pwd gar was 77¢ ;/lb
3/23/54	ltr to cust fm	jb		Added 3,000# on & gar to current contr
5/25/54	s/r		rjs	Feel Magic ch on better prod-explained there's no difference
6/3/54		CONTR:		Up to 20,000# on & gar prod to 12/31/54
6/24/54				Will incr no of cs on contr fm 200 to 300 Laff sl & ch on
7/1/54	memo to rjs fm		fm	Add sl gar to contr -has inquiries for mat fm some accts
7/9/54	s/r		jb	Not too happy about chge of lbl to Sunspiced
8/31/54	memo to jb fm	rjs		Lbls have been sent-included lbls which show wholesale grocer brand name.
12/16/54	ltr to cust fm	jb		Issued contr for up to 20,000# to 6/30/55
1/1/55		CONTR:		Up to 20,000# on & gar prod to 6/30/55
5/2/55	ltr to cust fm	jb		Sent samps sl gar to F. A. Koch & Sons. # 22346

Woolson Spice Company (cont'd)

NAME

Summit & Sandusky Streets

ADDRESS

Toledo 1, Ohio

CITY STATE

DATE OF CONTACT	TYPE	INIT.	SHOW USING	
10/28/48	ltr	jtm to cust		Enc contract.
11/3/48	ltr	rjs to cust		Ret dup exec cop of contr for 6000# Po O, 2000# free flo O, 2000 Po G and 2000# free flo garlic.
2/1/49	s/r	jtm		Ship 600# lot 600, 900# 810, 550# lot 110 and 450# lot 200.
4/16/49	s/r	jb	Basic	Took order for 5 cs po g pkd 24/1 for sale to institutional trade.
5/5/49	ltr	jb		Extending date of contr to 12/31/49 and increasing covering.
5/9/49	s/r	jtm		Gave new low prices for new crop. Extend contract and increase coverage.
6/8/49	s/r	jtm		Adv we were not protecting floor stocks. He is in good shape and will place small order with us before 8/1
7/16/49	s/r	jb		Suff material on hand till 8/1.
9/14/49	s/r	jb		Ordered 1000# po o 300# po g and 300# free flo garlic.
12/10/49	s/r	jb		Routine call.
5/12/50	s/r	jb		Ordered 200# toa po o - still have stock 200, 600, 110 & 810.
5/15/50	ltr	jb		Enc price list for new crop material.
6/19/50	s/r	jb		Made require contr for 10,000# to 6/30/51.
6/20/50	ltr	jb		Enc contr for their signature.
6/28/50	ltr	rjs		Ret exec contr for up to 10,000# po o, po g, sl g, mel toa po o, free flo o and g.
10/12/50	s/r	jb		Has stock.
5/12/51	s/r	jb		Ord'd 10 c/s-450# Free Flo On for immed shipm't

EST. FEDERAL POUNDAGE 7000 ONION GARLIC CELERY

IN THE [illegible]

DATE 10/21/48

RECEIVED BY H. C. [illegible] MFG. CO.

FEDERAL TRADE COMMISSION

Benzies

CHAIRMAN Exhibit No. 166-C IDENTIFICATION

Coriander Related Foods

Sprouting

Jamco

COMMISSION EXHIBIT 166C

Commission Exhibit 166C

2233

2236

352

REMINGTON BAND INC. 20 M 700-30001 (1-1)

Woolson Spice Company

Summit & Sandusky Streets

Toledo 1, Ohio

EST. Benzies

POUNDAGE 5

ONION (Kanpac)

GARLIC

CELERY

REMARKS 2238

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
2/14/47	S/R	ech-rms	Basic	Sufficient stock, P A in New York today
3/14/47	S/R	ech	Basic	Sufficient stock another month; interest in Celery; check lat
5/7/47	"	"	"	PA out of town, will check and mail order in
7/7/47	"	jb	"	" "; told them not entitled to rebate on free flo but are on 968 lbs Lot 600; think we are out of line because Gentry givin complete coverage, but will continue buying from us.
7/17/47	S/L	rjs	"	Re rebate; told them the same as above; will refer WMH
8/1/47	"	w mh	"	Re our salesman calling on their accounts; will not happen if they will furnish list of their accounts
8/4/47	"	"	"	Will try to make some adjustment on Free-Flo; told Benzies to work out something less than full adjustment
8/11/47	S/L	wmh	"	Re Schlueter calling on Grand Valley Packing Co, Ionia Mich and Lake Odessa Canning Company; Woolson says they are their customers; WMH states that GVPC say they are buying from Asmus and that WMH and Hoxie opened the Lake Odessa account in the summerof 1945.
8/11/47	Memo to Benzies WMH			Told him to point out to Woolson that the last time they bougi any onion powder was in 1944 and doubt that they have sold or made any effort to sell accounts such as those mentioned abo e Handle tactfully, as we don't want to lose the business
9/25/47	S/R	Mah-wmh	"	Will give credit on free flo onion; will order in 2500# lots
10/16/47	S/L	jb	"	Telling them referred McKay Davis to them for 15# 600

2234 'Commission Exhibit 166D

COMMISSION EXHIBIT 166D

Woolson Spice Company (Con't)
NAME

Summit & Sandusky Streets
ADDRESS

Toledo 1, Ohio
CITY STATE

EST. Benzies
POUNDAGE
ONION
GARLIC
CELERY
5 FLAVOR RATIO
166D

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
12/12/47	S/L	Jb	Basic	Suggesting contract in view of increase in prices
12/19/47	"	"	"	Thanked for order of 200,600,810; and estimates for 1948; sent contract for signature; thanked for business
12/30/47	"	rjs	"	Sent executed contract; thanked for business
1/24/48	S/R	ltd	"	Contact at Atlantic City Convention.
3/18/48	"	jb	"	Suff stock but will order for April delivery; will try take entire 5040# on contract.
3/27/48	S/L	jb	"	Sent new prices
4/20/48	S/R	jb	"	1250# Lot 200C; 900# 600C & 6 cs 810C; imm. delivery;
6/21/48	memo wmh to jb			In rep. Woolson Spice selling 1 & 2 case lots list less 20%. Adv jb to discuss with MacMillan and hold his price at list or list less 10%.
7/13/48	S/R	jb	Basic	Have 1750# Po O & 780 # Po G left on cont. Will phone next week for shipping instructions.
7/22/48	S/R	jb	"	Contacted MacMillan & arranged to ship 1750# 200C & 780# 600C left on their contract.
9/29/48	s/r	jb		Ordered 1900# 200C and 600# 600C.
10/27/48	ltr jb to cust			Cust asked re 360# free flo due on old contr. Ordered 1500# Po O and 1000# free flo on. Will be shipped about 11/1
10/27/48	s/r	jb Mcp	Basic	Confirmed order - write up new contr for 600# 200C, 2000# lot 110, 2000# 810 and 2000# lot 600.

348/ 2215

Commission Exhibit 166D (Continued) 2235

2242 **COMMISSION EXHIBIT 167**

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 665/54 Date: September 17, 1954
Salesman: RGG
Firm Name: Les Pommiers
Person Contacted: Mr. Henri Rethier

Mr. Rethier told me that he is trying to sell his onion soup to Reid-Murdoch of Chicago, who are owned by Consolidated Grocers. He said that no sooner had he mailed them samples and prices when the Gentry salesman, Max Shapiro, called on him and told him that he would have to buy their onions if he expected to sell Reid-Murdoch.

Mr. Rethier said that if he does get this account, he will have to buy Gentry's onion for their onion soup.

He said that he has not as yet started packing and that he still has a few drums of our large sliced onion on hand. As soon as his onion soup business picks up, he said he will be in touch with us for more material. Will follow up.

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION EXHIBIT No. 168-A

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER: [illegible] MARKING CO.

BY James

Les Pommiers (cont'd)
NAME

Lake Katrine
ADDRESS

New York
CITY STATE

Butler

DATE OF CONTACT	TYPE	FROM	SALESMAN	
Shipng 1200# L 155C ag contr				
11/17/51	s/r	ltd	to rjs	Shpd 600# L 155C agnst contr
12/13/51	ltr	jwh	to Rethier	-Sending Contr
12/19/51	memo	jwh	to rjs	Sent Contr for sign
12/27/51	ltr	rjs	to Rethier	- Ret. contr for dr on
1/9/52	ltr	Rethier	ltd	Wants to mkt a Fr Dress & to know what keeps cats & chili sauce from fermenting.
1/17/52	memo	rjs	ltd	Sodium Benzoate added to prev spoilage also vinegar
1/18/52	ltr	jwh	to Rethier	-Enc Lab Bul 21,22,31.
2/5/52	ltr	jwh	to cust	Shipped 10 drums ot 20 dr order Lg Sl On & 25 c/s Lg Sl On
3/3/52	s/r	ltd		Ord'd 1000# Lg Sl Ons L 155.Plfd send contr upto 8500# to 12/3
3/7/52	memo	jwh	to rjs	Encl contr for confirm & signature
3/12/52	ltr	rjs	to cust	Ret contr 8500 lbs Lg Sl On to 12/31/52
3/4/52	ltr	jwh	to cust	Encl contr 8500S Sl On add'tn bal 3692 curr contr
6/5/52	s/r	ltd		Suffic stock for now.Ord'd 1000# Lg Sl On from Plfd later
5/15/53	s/r		rgg	Tremendous sale of Lipton on soup has affected his bus
7/17/53	s/		Contr:	Up to 15,000# fr-flvr lge sl on to 6/30/54
8/5/53	s/r		ltd	Shpg 2 cs fr/ flvr pwd on
10/14/53	s/r		rgg	Going into mfr season & shd be using lgr quan of on
12/4/53	memo	to rjs	fm ltd	Willing to give us bus if we match pr of Contr-uses 2,000# or over per yr.
2/11/54	s/r		rgg	Ord'd 15 drums Lot 155 for Mar 1st
2/16/54	"		ltd	Work'g on vichyssoise soup-want pot gran for testing
3/8/54	ltr	to ltd	fm cust	Dehy pot wont work in soup-has to be a smooth prod

2235 2245 168A

COMMISSION EXHIBIT 168A

Commission Exhibit 168A

2237

FEDERAL TRADE COMMISSION

Docket No. 7120 ; Trial Ex. 168-B

IN THE MATTER OF: Consolidated Foods

DATE 10/21/58 TYPIST Sparling

REPORTER: Acme REPORTING CO.

Les Pommiers
NAME

ADDRESS

Lake Katrine, N.Y.
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALES-MAN	Butler
1/9/51	ltr	rjs to	cust	Sent on 1/8 1# sam Pow O; info on us it given in ltr.
1/13/51	s/r	ltd		Exper with French Pea So. See to it they get Gr. O.
1/16/51	ltr	jwh to	cust	Sam Gr. On sent 1/15
2/5/51	ltr	jwh to	rjs	Pls send 1 cs. Chop. Cel from Vaca. Hand rest out of Lehigh.
2/6/51	ltr	jwh to	cust	Ship from Lehigh: 1 cs. 8-1750;1 cs. R1650; 1 cs. 130; 43 cs. 155; & 7 cs. 155.(4/6).
2/26/51	s/r	ltd		Ship them 1200# Large Sl O. Rethier now using it 100%. Plac require contr for up to 25000# of this item.
3/2/51	ltr	rjs		Glad to hear that using exclus in canned soup.
3/9/51	memo	jwh to	rjs	Encl sgnd contr for confirm & file.
3/12/51	ltr	rjs to	cust	Rctng contr To requ dr on or 12/31/51
3/26/51	s/r	ltd		Shipng 50 c/s Frsh Flav Lg Sl On ag their contract
4/30/51	ltr	rjs to	cust	At ltd requ, sent samps Sp Cuts On, Sp Cats Gar, Pow On & Ch Par:
6/25/51	s/r	ltd		Shipng 25 c/s Frsh Flav Lg Sl On ag contr
8/1/51	s/r	ltd		Shipng 13 cs FF Lg Sl On.
8/8/51	s/r	ltd		Shipng 25 cs FF Sl On Lot 150C.
8/24/51	s/r	jfb		Shipng 10 drums L 155D ag contr
9/20/51	s/r	ltd		Shipng 600# L 155D ag contr
10/2/51	s/r	ltd		Shipng 600# L 155D ag contr & 60# L 805C ag M/O
10/3	memo	ltd to	rjs	they would like celery carrots and parsnips but we will have to pass up business
10/3	s/r	ltd		wants 10 drums 155 and 1 case garlac 805.

168

22443

2238

Commission Exhibit 168B

COMMISSION EXHIBIT 168B

FEDERAL TRADE COMMISSION

Les Pommiers — NAME

Lake Katrine, New York — ADDRESS: CITY, STATE

Docket No. 3944 — Butler — Exhibit No. 168-C

IN THE MATTER OF: Consolidated Foods

DATE 10/21/58 — Mr. Henry Rethier — Speaking

REPORTER'S NAME: ACE REPORTING CO.

BY: James

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
1/30/50	ltr	L P		Asked for quot and info on onion soup.
2/1/50	ltr	rjs		Sent 2 8 oz 150. Sent formulas and quoted prices.
2/1/50	memo	rjs to ltd		Referred to ltd.
2/10/50	s/r	ltd		Pack onion soup for wholesale to distributors in #2 cans. Does great deal of hand work in operation. Uses about 1000# raw onions per day at cost of 6.50 per 100#. Rejected T-150. Made test batch using 155. Product will have different appearance with our sl o rather than Julienne o they are now using and this will have to be OK'd. Potential here of 10 to 12,000 # per year.
4/5/50	s/r	jfb		Possible onion soup prospect.
8/2/50	s/r	ltd		Will test our o again after 1st of Nov for onion soup for private labels.
8/31/50	s/r	ltd		Shipping 1000# lge sl o which they will mix with raw.
9/6/50	s/r	ltd		Re shmt of 155 .
9/12/50	memo	rjs to jfb		Get info as to their require of 155 before we end production.
9/21/50	ltr	rjs		Ret dup exec contr for up to 10,000# lge sl o.
1/4/51	ltr	jh to rjs		Hentry Rethier would like ½# or lar of Pow O. Wants to exper in new soup.Bus slow & only pack 5000 cans a day. Will give ord in about 2 weeks of Sl. O and may ord 100-200# lots of pow o

2246 358

168 C

DENNISON BAND INC. 20 M

Commission Exhibit 168C.

COMMISSION EXHIBIT 168C

2239

Les Pommiers
NAME
ADDRESS
CITY Lake Katrine, STATE N.Y.

FEDERAL TRADE COMMISSION
Docket No. 7020 Exhibit No. 168 D
Witness Consolidated Foods
Date 10/30/58 REMARKS Hearing
Reporter's Initials CCB

DATE OF CONTACT	TYPE	FROM	SALES-MAN	
3/10/54	memo	to rjs fm ltd		Would we share in cost of producing vichyssoise soup?
3/22/54	ltr	to ltd fm cust		Sugg we go thr with soup on our own
5/19/54	s/r		rgg	Placed ord for 1000# Lot 155-will carry til end of summer
7/6/54	"		"	Wont pack til after Labor day
9/16/54	"		"	Centr expects them to buy their on if L&P. sell soup to Reid-Murdock
11/8/54	"		"	Needs 2,000# sl on but only wants to pay 55¢ per# del.
12/3/54	"		"	Bot 2,000# on flks at a pr lower than ours-bus slow.
4/8/55	"		"	Ord'd 1500# Lot 155
7/29/55	"		"	Gov invetigatros visited him - said a complaint has been lodged by us against Consolidated Grocers.
10/6/55	"		"	shipped at once 1000# lot 155.
12/5/55	"		"	sent back one drum of On.Flakes to Vacn.two wks.ago,will adjust accounts with us when receive credit memo.
2/24/56	"		"	Rethier is raving mad at me,said it will be a long time bef.he will ord.again,because Basic has register a complaint with-
12/7/56	"		"	Still mad. Ordered 1500# Sliced On fr Gentry/Fedral Investigate
4/26/57	s/r		RGG	Might be using lot 155 during summer. Will follow up.

360 168 D

2252 COMMISSION EXHIBIT 169

BASIC VEGETABLE PRODUCTS, INC.

Inter-Office Correspondence

October 14, 1958

Memo To: R. J. Sparling

Jack Hetherington notified me today about your appearing before the FTC on October 20th.

I have two accounts in my territory that were pressured into buying from Gentry because of sales to Consolidated Wholesale. They are:

1. Les Pommiers, Lake Katrine, New York. This account makes soups and Consolidated have become their largest customer. It is rare occasion when we receive order.
2. Moore & Company, 166 Abington St., Newark, N.J. This firm also makes soups. Up until this year, they purchased most of their onion requirements from us. Miss A. Rabinowitz, PA, told me that Gentry had arranged with Mr. Castelli to sell his products to Consolidated Wholesale Grocery. This occurred in early January and since that time all purchases have been made from Gentry.

Gentry had also approached Red Wing Company of Fredonia, New York in 1957 on the theory that Consolidated was purchasing from them or could purchase from them and that Gentry should receive some onion business from them. Gentry was turned down cold.

Gentry also approached Bedford Food Products a few

years ago and stated that Consolidated was buying from Bedford and since Gentry was owned by Consolidated, some onion business should be placed with Gentry. Mr. Colburn, PA, has been splitting the business ever since.

When I covered Baltimore and South Jersey, two accounts in particular hesitated to place business with us because of sales to Consolidated. They are Venice Maid of Vineland, N.J. and Recipe Foods of Baltimore. Don Romney can probably give you more recent data regarding them.

/s/ Bob Gallo
Bob Gallo

Moore & Co.
NAME

ADDRESS 166 Abington Ave.

CITY Newark, STATE N.J.

FEDERAL TRADE COMMISSION
Docket No. 7000 Exhibit No. 170-A
In the matter of Consolidated Foods
Date 4/21/58
Received REMARKS Sterling Inc. Exhibiting Co.
By Genoa

DATE OF CONTACT	TYPE	FROM	SALES-MAN	Gallo
3/3/55	s/r		rgg	Routine call.
5/11/55	"		"	Will order in 10 days or two weeks
5/19/55	"		"	will call office when ready to order.
8/18/55	"		"	Will pack On. Soup after Labor Day
8/31/55	"		"	Est. use from now to Dec. 31st. 5000# of lt.155, Have Contr for 6000#
9/13/55	"		"	order will order lt. 155 in a week or two.
12/22/55	"		"	Routine Call .
2/1/56	"		"	Reynold suggested that I send him a Contr. for lt.155 & 200.
2/6/56	CONTR	1/1/56 to	7/1/56	UP TO 4,000#Sl.On.& 1200# of Pwd.On for Total Requirements.
3/9/56	S/R		RGG	Reynolds placed the an order to be shipped at once. 1000#lt.155
8/6/56	Contr.	frm. 8/6/56	to 6/30/57	UP TO 12,500# of dried On.& Garl.
9/14/56	S/R		RGG	Mr. Reynolds is leav'g Co. on his own & Mr. Faschiali is replac'g him, seem to be just as nice as Reynolds.
3/4/57	s/r		RGG	Miss Ra inowitz said she will order out first lot of 155 next week.
5/3/57	s/r		RGG	Need turtles for soup prod.- expect to have in 2 or 3 wks. and will prob. use all 3,500 lbs. before July 1st. (l. 155) Will follow up.
7/3/57	Contr.	up to 9,000#		total requirements D. On. from 6/20/57 to 7/1/58.
10/28/57				order for 550# lot 155.
12-30-57	sr		RGG	Order for 2400# lot 155.

36 s/

170
2253

Commission Exhibit 170A

COMMISSION EXHIBIT 170A

2243

COMMISSION EXHIBIT 170C

Moore & Company, Soups, Inc. | FST. | FOUNDED | Butler SALESMAN | 4 A CLASSIFICATION

~~127 Beekman Street~~ ADDRESS | Mailing Address: 166 Abington Ave., Newark, N. J.

New York City CITY STATE | Shipping Address: 633 North Fourth St., Newark, N. J.

per RJS memo of 4/29/54

Gallo

2251

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
1/22/47	S/R	jfb	Gentry	Made app't to see 1/28/47
3/10/47	"	"	"	Took Miss Scholl; will test 150 in onion soup
4/29/47	"	"	"	Found 150 satisfactory but not packing soup at present
6/16/47	"	"	"	Not manu. onion soup at present and not using onion in turtle soup
9/17/47	"	"	"	Routine Call with JHH
12/26/47	"	"	"	Turtle soup only at present
6/28/48	S/R	jfb		Not mfg onion soup yet.
9/8/48	s/r	jfb		Mfg only turtle soup with raw on. Still have inventory of on. soup made with Gentry and will not make more till 1/49.
6/18/49	s/r	jfb		Nothing to report.
8/3/49	ltr	jwh		Sent lab reports and mfg bulletin - will send 1 cs lg sl o, gr o and po celery.
9/14/49	s/r	jfb		Sample orders not tried yet.
10/13/49	s/r	jfb		Costelli has not tried our cel or o yet. Still uses Gentry o - pub ltd and jfb off for another week
10/19/49	s/r	jfb		Has paid bill but still has not tried our products.
11/7/49	s/r	jfb		Routine Call.
11/25/49	s/r	jfb		Routine call.
3/1/50	s/r	jfb		Placed order for 192# 155 prob because Gentry cannot supp.
4/17/50	s/r	jfb		Costelli never appears and it is hard to get any info here.
11/28/50	s/r	jfltd		Use slic o, chop o, gr o, & gar pow. Use about 60,000 to 70000#

170 C

REMINGTON RAND INC • 30 52 705-30643 1-47

2259 COMMISSION EXHIBIT 171

San Francisco
California

April 21, 1954

(File Gentry)
Memo.: L. T. Dawe

Following are the general remarks on Mr. Gallo's Sales Report No. 258, Venice Maid Co.:

> "Mr. Pepper told me that they use only "raw" onions in their sauce and very small quantities of powdered garlic. He said that he buys all of his garlic powder from Gentry because Consolidated Grocers buys his spaghetti sauce."

I believe you are quite well acquainted with Mr. Pepper. I wonder whether you could get him to split his business. In this way he would keep Consolidated Grocers happy and we would also obtain some business from Venice Maid Co.

R. J. Sparling

RJS:mdg

2260 COMMISSION EXHIBIT 172

For: Gentry File

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 611/54 Date: August 20, 1954
Salesman: RGG
Firm Name: Venice Maid Co.
Persons Contacted: Mr. Anthony Pepper Sr. & Jr.

Routine call with Mr. Anthony Pepper Sr. & Jr. They said that they use small quantities of powdered onion and that they have been buying it from Gentry as they in return sell their product to Consolidated Grocers. Mr. Larry Pepper advised me to call Mr. Stone of Lawrence Packing Co., Wilson, New York on Monday in reference to his requirements. Will do.

2261 COMMISSION EXHIBIT 173

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 398/56 Date: September 19, 1956
Salesman: RGG
Firm Name: Venice Maid Company
Person Contacted: Mr. Tony Pepper

Mr. Pepper told me that they have tried our Lot 130 and think it will work out better in sauce than Lot 120. They have decided that this will be the size they will use. However, Mr. Pepper told me that they have not as yet decided as to whether or not they will switch entirely to dried.

They are working on cost figures and Mr. Pepper said they should reach a decision by Nov. 1st. In the meantime, they will probably buy some more of Lot 130.

They are very well satisfied with Lot 820 minced garlic and are writing it into their formula.

Will keep in close touch.

2262 COMMISSION EXHIBIT 174

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 363/56 Date: August 23, 1956
Salesman: RGG
Firm Name: Venice Maid Co.
Person Contacted: Mr. Tony Pepper

Mr. Tony Pepper said they tried the 100 pounds of Lot 120 we sent them and liked them. I suggested that he try the Lot 130 instead of 120 as it will give him more solids in the end product. He agreed to this and placed the following order.

525 pounds of Lot 130 FOB Eliz.
25 pounds of Lot 820 " "

I also asked him to try our Lot 820.

Mr. Pepper said that if this works out good we can expect some good sized orders. I am sure everything will work out and will keep in close touch.

Memo to JWH - I have attached to your copy of report Mr. Pepper's purchase order. Their own truck will pick up this material on Monday 8/27.

2263 COMMISSION EXHIBIT 175

BASIC VEGETAB[illegible] PRODUCTS, INC.

Report No.: 435/56 Date: November 7, 1956
Salesman: RGG
Firm Name: Venice Maid Company
Person Contacted: Mr. Tony Pepper

Mr. Pepper told me that they have made extensive tests using both Basic and Gentry chopped onion and have decided to use it. Mr. Pepper said that he has some commitments until the first of the year and at that time will make the switch.

Since they do not cook the sauce for a long period, they have decided to use Lot 600 instead of 820 because of the price.

Mr. Pepper said he will sign a contract after the first of the year. Gentry is going to get some of the business. Perhaps this is because this firm sells quite a bit of material to Consolidated Foods.

Will follow up.

2264 COMMISSION EXHIBIT 176

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 320/57 Date: August 8, 1957
Salesman: RGG
Firm Name: Routine calls

1. Clement Pappas Co., Cedarville, N.J. Mr. Pappas said he did not contract for tomatoes this year and price is now 80 cents per basket which is very high. If

price does not come down, he does not plan to pack either catsup or chili sauce. If he does pack and I think he will, we will get business FOB Elizabeth. He is very good friend of Lyle's. Has always been 100% Basic.

2. C & E Canners, Folsom, N.J. Mr. Errara was running catsup today. Said if he does not have enough of our material on hand, he will order out of Elizabeth.
3. Venice Maid Co., Vineland, N.J. Mr. Pepper is now using Gentry chopped onion and powdered garlic and buying FOB Gilroy. He said he had quite a bit on hand. Will bring Bertha down to him when it is available.

2265 COMMISSION EXHIBIT 177

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 352/57 Date: August 29, 1957
Salesman: RGG
Firm Name: Routine calls

1. Clement Pappas Canning Co., Cedarville, New Jersey. Mr. Pappas said that the tomato situation looks somewhat brighter and he might be putting up catsup and chili sauce. I will check with him again next week when I visit Seabrook.
2. Venice Maid Packing Co., Vineland,. N.J. Mr. Tony Pepper was in but said he could not see me.

2266 COMMISSION EXHIBIT 178

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 60 Date: 2/12/58
Salesman: DMR
Firm Name: Venice Maid Packing Co.
Person Contacted: Mr. Tony Pepper

Mr. Pepper informed me this firm is purchasing 100% Gentry products due to reason Consolidated Foods, Chicago, is one of their largest customers.

After considerable conversation with Mr. Pepper, he stated he would give Basic some 500# orders.

2267 COMMISSION EXHIBIT 179

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 114 Date: 3/26/58
Salesman: DMR
Firm Name: Venice Maid Packing Co.
Person Contacted: Tony Pepper

Mr. Pepper again stated this firm is purchasing all of their requirements from Gentry due to their relationship with Consolidated Foods, Chicago, who are one of Venice Maid's largest customers.

However, Mr. Pepper stated this condition is subject to change, and there is a definite possibility of his doing business with us. Impressed upon Mr. Pepper the advantages of dual sources of supply.

2268 COMMISSION EXHIBIT 180

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 163 Date: 4/ 28/58
Salesman: DMR
Firm Name: Venice Maid Packing Co.
Person Contacted: Tony Pepper

Again impressed upon Mr. Pepper advantages of dual source of supply for his onion and garlic requirements, however, Mr. Pepper stated for the present they will continue to buy 100% Gentry, with this condition being subject to change.

2269 COMMISSION EXHIBIT 181

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 374 Date: 9/30/58
Salesman: DMR
Firm Name: Venice Maid Packing Co.
Person Contacted: Tony Pepper

This firm still purchasing exclusively from Gentry, due to fact that Consolidated Foods Corp. is one of their largest customers.

Impressed upon Mr. Pepper the advantages of having dual sources of supply for dried onion and garlic.

(JHH)

Venice Maid Co. (NAME)
Vineland, N. J. (ADDRESS)
CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALES MAN	REMARKS
9/8/57	s/r		ROO	Using Gentry chopped on. & pow. gar. Will run Bertha for him.

ROMNUT

FEDERAL TRADE COMMISSION
Docket No. 7000 Exhibit No. 182-A
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 TYPE Greening
REPORTER'S Gaw REPORTING CO.
OF Jamus

382

182-A
2270

2252 Commission Exhibit 182A
COMMISSION EXHIBIT 182A

FEDERAL TRADE COMMISSION

Docket No. 7000 Exhibit No. 182-B

IN THE MATTER OF Consolidated Foods

DATE 10/31/58 WITNESS Sparling ROMNEY

REPORTER Gaines

Venice Maid Co.
NAME

Vineland, New Jersey
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
4/3/53	memo to rjs fm		ltd	Satis with qual-our price too high send samps & ltr to President
4/15/53	ltr to cust fm	rjs		Samps sent & pamp evaluating qual of on & gar.
5/16/53	s/r		ltd	Mfrs for A.L. Pierson, Inc. Vineland, N.J.-have suff mat.
6/12/53	ltr to cust fm		ltd	Sent 1 drum lge sl on & 1 cs sl on. Gave form for on soup
7/17/53	s/r		ltd	Hasent rec'd shpmt of Lot 155 & T150
8/13/53	s/r		ltd	Using fr on at 85¢ sack-to make test on onion soup in 2 weeks
9/30/53	"		"	Expect to use dried on in Nov.
10/29/53	"		"	Rec'd 500# min cel -buy pot, carrots & on fresh fm Phila broker
3/18/54	"		"	Pur Egyp kibbled on & Gentr on pwd-told them we'd sell at jobber pr
4/14/54	"		"	Using low pr raw on-bot pwd gar fm jobber at 5% off list
4/15/54	"		rgg-	Buys fm Gentr because Consol'd Grocers buys his spag sce
7/1/54	"		"	Using raw on because of low pr
8/20/54	"		"	Buy fm Gentr-adv us to call on Lawrence Packing Co.
11/30/55	"		"	Mr. Pepper said that perhaps he will work something out with us after the first of year.
2/1/56	"		"	still cannot get to first base with Mr. Tony P. the buyer. still use Egyptian onion.
/23/56	S/R		RGG	Pepper said they tried the 100# lt.120 we sent them & like it.
9/19/56	"		"	Mr. Pepper told us that they have tried our lt.130 & think it will work out better than lt.120 in sauce.
11/7/56	"		"	Decided to use Basic instead of Gentry, will use Lot 600. Will sign contract. Gentry will get some business as firm sells quite a bit of material to Consolidated Foods.

COMMISSION EXHIBIT 182B

Commission Exhibit 182B

2253

...Venice Maid Company (cont'd)
NAME

Vineland, New Jersey
ADDRESS
CITY STATE

FEDERAL TRADE COMMISSION
Docket No. 7000 FOUNDAGE Dawe 182-C 2-c, 2-E, 3-B
IN THE MATTER OF Consolidated Foods CLASSIFICATION
DATE 10/21/48 CANNING Canning 18 r C
REPORTER: Ace James REPORTING CO. REMARKS

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
3/5/48	S/R	ltd	Basic	Financial trouble rumor due to selling class as pkg only in tin from now on;expect pay off 5000# 1/3 every 30 days; do not plan on heavy inventory;may be necessary sell c.o.d.
4/1/48	memo rjs to Wmh			Suggest forward 5000# pending order in 3 shipts so obligation will not be too heavy at one time
4/29/48	memo rjs to ltd			Suggested call and try obtain payment
5/4/48	S/R	ltd		Sent check last week, balance May 12;awaiting arrival #1230 so can make tests in spaghetti sauce
5/26/48	S/R	ltd		Left with G. Knaubb 1-5 gal. can Chpd Celery Lot 1230 for test in commercial batches.
6/4/48	memo frm rjs to ltd			Sample Lot 1220 to ltd for testing at Venice Mid. Can produce commercial supply later.
6/1/48	memo to rjs frm ltd			Can use 100% stalk celery.
7/14/48	S/R	ltd		Sold them 500#. After re-organization 8/1/48 expect to take Annual Requirements Contract - will take shipments of 500#
7/21/48	ltr jwh to cust			Enclosed requirements contract.
9/25/48	s/r	ltd		Order #7990 A as per enc M/O
11/11/48	s/r	ltd		Will mail in contr in few days. Adv us in 2 wks on lot 1230
12/16/48	ltr jwh to cust			They are working on 3500# min & 5000# max.
3/16/49	s/r	ltd		Thanked for order.
				Would like small samp red & gree peppers with full lab data for test. Est will need by 7/31 approx 3000# lot 120 or 320.

2273

385-

Venice Maid Company
NAME

Vineland, New Jersey
CITY ADDRESS STATE

FST. POUNDAGE	Dave (SALESMAN)
ONION	2 E (CLASSIFICATION)
GARLIC	3 B
CELERY	

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
5/6/47	S/R	jfb-jhh	B & Raw	Sufficient stock until August; interested in Celery; arrangi cost studies; production curtailed
6/5/47	"	"	"	PA out of town; will see next week with RMS
6/11/47	"	" rms	"	Using our onion in can with label stating "Onions"; cannot conduct cost studies this week; however they felt our samples will work out; will check about the 23rd
6/26/47	"	jfb	"	Still using Basic in limited production; will test celery
7/10/47	"	"	"	Will reorder as needed; haven't tested celery yet
9/16/47	"	ltd	"	Will have commercial batch made with celery 9/22
9/23/47	"	"jfb	"	Said tried minced celery and found black specks in material LTD suggested use 1030, arranged for samples; using our onion
12/12/47	S/L	rjs	"	Requesting $18.52 discount taken which was not due them
1/15/48	"	"	"	Sent statement of account; reminded them about $18.52 due
1/19/48	Memo to ltd fr. rjs			Check with customer on requirements - perhaps will take Lot 120 instead of Lot 130
3/8/48	memo wmh to ltd			Watch credit; may put on c.o.d. basis. 2274
2/16/48	S/R	ltd		Placed 5000# Chopped & 120# Powd Garlic, also 5000# Chopped 120# #600 for May 20 shipt; plan mfr Beef Stew; sending cs #150. Can use 25,000 to 30,000# Dehyd carrots.
2/17/48	S/L	ltd		Thanked for order; sent cs Lot 150; quoted price & disca; sending lab info on Beef Stew.
2/20/48	memo rjs to ltd			complete order with 660# #130 & balance #120 386

COMMISSION EXHIBIT 182D

Commission Exhibit 182D

2255

2278 COMMISSION EXHIBIT 183

J. H. Hume

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 187 Date: June 29, 1954
Salesman: JB.
Firm Name: J. L. Read Foods, Inc.
Persons Contacted: Mr. J. Read, Mr. C. Engel and Mr. E. Schoenfeld

Made this call with Art Wachholz and spent the entire day at Read Foods. Showed Ed Schoenfeld our lot 155 and he feels that this will work better in their potato salad than the Lot 145 which they are presently buying from Gentry. Also furnished him with samples of our Lots 815 & 820 as Reads plan on making some new type dressings. Reads are using about 2,000 lbs. of onion flakes per month and I am sure that we will get part of this business. They pack a great deal of material for Consolidated Grocers, so due to this, there is no chance of getting all of their business.

J. Benzies

2279 COMMISSION EXHIBIT 184A-B

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 41 Date: Jan. 20, 1955
Salesman: AW
Firm Name: J. L. Read Foods, Inc.
Persons Contacted: Ed Schoenfeld, Harold Marquardt and Walter Ingold

Took Ed Schoenfeld to lunch. Ed turned in his resignation last week & will be leaving Read next week and perhaps sooner. He discussed his reasons for leaving with me.

I went over R. Sparling's memo of Jan 18 & R Stephenson's Lab report #9817. All of this made good sense to Ed. For such reasons he has never placed much faith in small individual samples. Ed didn't feel that his earlier report recommending Gentry would hurt us but I found that H. Marquardt is taking it seriously.

Harold Marquardt had Ed's report with him as he talked with me. He ordered 500# of Gentry onion powder on the basis of it. The onion powder has not as yet been delivered. Harold is a friend of mine and I am sure he would prefer giving us the business. Gentry through Marty Kraham is delivering any quantity of material to this company with 1,000# allowances. This was the case in earlier dealings with this company. I told Harold we would meet this competition—I thought it best to do this—if it is not all right with San Francisco I can always say I was mistaken.

I went over the above memo & lab report with Marquardt & explained how Ed actually felt about it. I was
2280 unable to get the two together at this time. Harold said he would most definitely like to give us the business & would be happy to hear that Schoenfeld actually preferred our material. He said he would talk to Schoenfeld at his next opportunity this afternoon.

I contacted Schoenfeld again & told him of my conversation with Marquardt. Ed said he would do everything possible to help us.

Read he said makes the decisions & Read prefers to buy from Basic. At the same time Jack Read told Marquardt to follow Schoenfeld's reports & buy accordingly. Ed said that Jack is a very stubborn fellow & dislikes the attempts of Gentry to dictate. Actually he said Jack prefers to buy from sources other than ones who sell his merchandise as he feels he can then be freer to complain if things go wrong. Ed had been working on a set up where Gentry would be supplying Paprika & Basic all the onion & garlic.

Tom Baily an old friend of Jack Read's with Banking experience has been moved into the vice-presidency after working 1 year with the company. This has caused much dissension among the other ranking employees.

Schoenfeld said he couldn't tell me who he would be working with yet but hopes to be with them by the time of the canners convention. He said he thinks he will be able to help me in his new spot.

A. Wachholz

2281 COMMISSION EXHIBIT 185

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 42 Date: Jan. 21, 1955.
Salesman: AW
Firm Name: J. L. Read Foods, Inc.
Person Contacted: Harold Marquardt

Every thing looks bright here. Telephoned Marquardt this morning & inquired about his discussion with Ed Schoenfeld. Ed backed up our ideas on the Gentry sample & suggested that Basic onion & garlic be purchased.

Marquardt said that this was good enough for him. Said that we would hear from them the next time they needed material. Harold also discussed onion flakes with Schoenfeld & our flakes were also recommended.

Yesterday I told Marquardt that Jack Read had expressed surprise that Sam Hassan wasn't ordering flakes from us. Harold said "I'll just order onion flakes & you'll know what we want shipped—right?" They want lot 145.

He checked his Gentry Invoice on the recent onion powder and the price quoted was 46¢ on the 500# shipment.

I'm sure Gentry will put much pressure on this account if all the onion & garlic is given to us & I am sure I will have to keep very close to this company in the future.

A. Wachholz

FEDERAL TRADE COMMISSION

Docket No. 7000 COMPLAINT Dkt. No. 186-A

IN THE MATTER OF Consolidated Foods Sparkling

DATE 10/21/58 BUREAU REPORTED BY Agee REMARKS

J. L. READ FOOD
NAME
118 Iowa Avenue
ADDRESS
Streator, Ill.
CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALES-MAN	
9/6/55	SR		AW	Just ord. lt.145, will ord. 1,000# on Garlic end of week.
11/19/55	"		"	All is well here, Gentry is getting some bus. here.
12/10/55	"		"	will place ord. before end of yr. for Pwds. for Potato salads.
1/21/56	"		"	All fine-no changes-just placed order.
2/27/56	"		"	Mills the chemist would like a 1# samples of lot 820 sent to
3/31/56	"		"	have heard noth'g as yet abt. Jewell Tea bus. though they pack [illegible] Atlantic considerably for Jewel. Jack Read recently had a heart attack.
4/21/56	"		"	have not mentaon abtrecoiv'g lt.155 instead lt.145. so I assume it is alright to continue sending lt.155.
6/2/56	"		"	has a newproduct com'g out soon will use more of lt.145.
7/14/56	"		"	will use lt.130 instead of lt.145 in all future orders.
8/20/56	Contr. 98,250# total requirements of dried Onion to July 1, 1957.			
10/13/56	SR		AW	Sulli. said we culd xpect an ord. end of the wk. lot 140 to be used in all pot. salad in future. Xpect to use lge am'ts when the season begins. Xpect mr to ord. in 10000#
11/17/56	"		"	Sulli. showed me h lge. whse nothing now developing hve lge stocks of german and bordon's pot. sal.
~~2/2/57~~ ~~8/2/57~~	~~s/r~~		~~AW~~	~~Moving 90 dys. should be making 500# purchase soon.~~
2/2/57	s/r		AW	Potatoe salad prod. very shortly. Will using 3 times as much o & g. exclusive of the work done for Bordens. Hppe to get more of Bordon's business.

334.228 2186 A

Commission Exhibit 1864

COMMISSION EXHIBIT 186A

2259

FEDERAL TRADE COMMISSION

Docket No. 7900 CONSENT DOCKET Exhibit No. 186-B

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 REPORTER Sparling

REPORTING CO.

J. L. Read Food
NAME
118 Iowa Avenue
ADDRESS
CITY Streator, STATE Ill.

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
				Wachholz
1/7/54	s/r		aw	Happy over our new pr policy-wants samp stalk col sent
2/8/54	"		"	Work'g on Fr pot sld-contr with Gentr til June
4/12/54	Memo	to aw fm	jb	Opened new plant at Nashville, Tenn-make sure our mat used
4/30/54	s/r		aw	Wants statement of contr to date-wants ltr of new pr
6/1/54	"		"	Brought samps-our on selected over Gentr-Gentr upset over losin bus
6/30/54	"		"	Believe our Lot 155 more desirable in pot sld than Gentr's 145
7/15/54	"		"	Want us to send blank contr to be filled out when decision made
8/5/54	"		"	Said it was good w/informed them of 46¢ pr-otherwise we'd lose some bus
8/10/54	"		"	Rec'd pr list fm Gentr-to analyze their new crop.
9/9/54	"		"	Pot sld prod shut off -approaching their slow season.
9/23/54	"		"	Chgd unsigned to read 46¢ del instead of 49½¢ on 1,000# shpmts.
10/15/54	"		"	Will continue buy'g fm us on an open basis,
11/1/54	"		"	Gave pr info-to see in a week or 10 days.
11/16/54	"		"	Left samp 145 which will be compared with Gentr prod
11/24/54	memo	to aw fm	rjs	Send'g samps 145 & AK200-they are inte'd in low bacteria
1/4/55	s/r		aw	Thot our on pwd & Gentr compared in all respects except flvr &
1/21/55	"		"	Said we would hear fm them the next time they need mat. color
3/4/55	"		"	PA in Chi.
5/14/55	"		AW	told them our pri.,have heard nothing from comp.ga.new off.add
				bought case of Russian Dressing for Jim's Cust
6-20-55	"		"	Cover for 40,000# Lots 145 A200 & K600- 22 23 18 L
8-4-55	"	375-	"	Lionel Mills -chemist now - will want samples 130-135 later.

COMMISSION EXHIBIT 186B

2260 Commission Exhibit 186B.

FEDERAL TRADE COMMISSION

J. L. Reads Foods — Name

118 Iowa St. — Address

Streator, Illinois — City / State

Docket No. 7000 — F.T.C. No. 186-C Washhold

In the Matter of Consolidated Foods

Date 10/21/58 — Reporter Sparling

By [illegible]

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
1/16/53	s/r	aw		Have been using Gentr. Like our samps
2/13/53	s/r		aw	Contr til June '53 at 60¢ fob Chi. on onion & 80¢ fob Chi. on gar. with Gentr. Didn't go deeply into bacteria problem.
4/14/53	memo to rjs fm jb			Want ster on & gar pwd. Exper with uncooked sld dress.
4/17/53	s/r		aw	Ord'd 10 cs 4/7 Lot 145-bill Streator-Rend. Cost of ster mat?
4/20/53	memo to jb fm rjs			Can boil pwd on in water for 5 min-will kill all bac. Lot A200.
4/24/53	s/r		aw	Unless we warehouse drums, wont contr. Not pleased with Gentr.
4/27/53	memo to rjs fm jb			Our Lot A-200C shd be satis. No chance of sell til July 1st.
5/4/53	s/r		aw	Impressed with qual of our mat. Lot A200 to be used.
6/12/53	s/r		aw	Spoilage in sld dress'g was mustard, on or gar. Gentr offer'd contr on sl on for 67¢ less 2¢ pool gar allowance
6/19/53	s/r		aw	Written ord for 10 cs Lot 145 delivery June 24th
6/24/58	memo to aw fm rjs			Make a price of 65¢ per# fob Vaca
6/26/53	s/r		aw	Our proposition OK except for disc & delayed billing sold off oil
6/30/53	memo to aw fm rjs			Cant finance cust with extended terms & still allow 1% disc
7/3/53	s/r		jb	Will use our pwd on & gar-will give rqmts within few days
7/14/53	s/r		aw	Gave new prices-pleased them-to check on compt prices
7/15/53	ltr to jb fm rms			Will help with spoilage prob in cold pack dressing extremely
7/21/53	s/r		aw	Says we will get on & gar pwd bus but not sl-pwd caked
7/29/53	memo to aw fm rjs			Sorry to learn they wont use our slon
8/6/53			CONTR:	10,000# fr flvr pwd on, 5,000# fr flvr pwd gar to 6/30/54
10/19/53	s/r		aw	Angry at Gentr because of 2¢ incr-we'll get some sl on bus

3971

COMMISSION EXHIBIT 186C

Commission Exhibit 186C

2261

J. L. Read Foods, Inc. (cont)
118 Iowa NAME Avenue
Streator ADDRESS Ill.
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
4-19-58	sr		AW	Will not need another 10000#s fro from 4-8 weeks, wish us to k
keep 2-3000# lots 140			on hnd	should they need it.

FEDERAL TRADE COMMISSION
Docket No. 7000 Exhibit No. 186-D
In the Matter of Consolidated Foods
Date 10/21/58 Sperling
REPORTER'S DEPOSITION CO.
BY James

399 2287

2262 Commission Exhibit 186D

COMMISSION EXHIBIT 186D

J. L. Read Foods, Inc.
Streator, Illinois
CITY STATE

FEDERAL TRADE COMMISSION
Docket No. 186-E
Name: Consolidated Foods
Witness: Sterling
Reporter: Gregg Reporting Co.

DATE OF CONTRACT	TYPE	FROM	SALESMAN	
2/4/57	memo	to RJS frm. JB		Will order material from us should prod. 2 to 3 times more than last year. Need all mat. contr. for, if not more.
2/23/57	s/r		A.	Hope to finish new potatoe salad plant by April 1 and then will hope to bring in 10,000 shipments of lot 140.
4/29/57	s/r		AW	Potatoe sald. bus. beginning to look good. Would like to order 10,000 lbs. around May 10.
6/8/57	s/r		AW	Will be making Italian style dressing & will be ordering lot 820 from us. Want contr.
7/13/57	s/r		AW	Ordered 10,000#. Won't get to sign contract for 2 wks.
8/9/57	s/r		AW	Sullivan interested in bacteria free lot 120-would be willing to pay a premium for such a prod. Also interested in reg. 140's effect in their potato salad.
11/23/57	sr		"	Will send contract in before Dec. 1, Italian dressing not going so good, will double facilities for salad dressing starting Jan. 1.
~~XXXXXX~~ 12/9/57	"		"	Will possibly order 10000 #'s last of ~~MAYIX~~ month, Lot 820 not included in contract, add 2000 #s as of now.
1-4-58	"		"	Order for 500# lot 200, 300# lot 600.
1/25/58	sr		AW	Shut down, will open & start potato sal. prod, will take 10,0000# shipments in Feb. or 1st of March.

(60) 7-1-58 186-E

COMMISSION EXHIBIT 186E

Commission Exhibit 186E 2263

2290 COMMISSION EXHIBIT 187.

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 57 Date: 3/14/57
Salesman: RJS
Firm Name: Joseph DeFrates Co.
Person Contacted: Webb Barrington

Ran Berth—good results—Gentry sample very poor.

This firm agrees we have better material. They want to sell their Chili to Consolidated's retail stores in Chicago. Gentry salesman says he will help them so they feel they have to buy Gentry.

I told them to buy Basic and tell Gentry to get them in Consolidated Stores if they want business back.

Says we will get next order.

Joseph F. Defrates Co.
(Chilli Man) NAME

ADDRESS 1021 East Miller

CITY Springfield, STATE Ill.

FEDERAL TRADE COMMISSION

Docket No. 7000 COMMISSION Exhibit No. 188-A

IN THE MATTER OF Consolidated Foods

DATE 10/31/58 HEARING

REPORTER Alderson Reporting Co.

DATE OF CONTACT	TYPE	FROM	SALESMAN	Wachhols
11/17/54	s/r		AW	Centr met our lower gar pr here-cant make # for 10% disc.
12/6/54	memo to aw fm	rjs		A mixture of free-flo on & calcium stearate might be OK
1/5/55	s/r		AW	Thot rjs idea OK-hopes to give us a 1,000# ord shortly.
3/4/55	"		"	Told them they wouldnt have to declare cal stearate on lbl.
4/6/55	"		aw& rjs	Eventually we shd get all this bus
6/8/55	"		rgc	will use our Free-Flo with Cal Stearate added In summer
11/19/55	"		AW	bus.increas'g all the time, Joe said may ord.frm.us Onion & Garl
4/16/56	"		"	Brought a good supply of Centr.On.bef.price change.
3/3/56	"		"	Joe will place ord.for 1t.200& 600 as that will in need for more
4/21/56	"		"	ord.for 2cs.of 1t.600, 5cs of 200, & 12cs.of Laff Sl. Laff Sl.
10/13/56	"		"	Joe in Cg. usng Centr grd. on. & gar. he will give us an ord
				still selling lot 150, #10
3/14/57	s/r		RJS	Ran Bertha-good results-Centry samp. very poor. Feel have to
				buy Centry -Centry says will help them to sell Chili to
				Consolidated. Told them buy Basic -tell Centry if want bus.
				back get them in C. Says we will get next ordr.
4-15-58	ar		AW	Order for 15 c/s S150, 2 c/s lot 600 & 5 c/s lot 200.

403

188A

Commission Exhibit 188A

COMMISSION EXHIBIT 188A

2265

Joseph F. DeFrates Co., 1412 S. 4th St., Springfield, Illinois

The Chili Man
NAME

1021 E. Miller
ADDRESS

Springfield, Ill.
CITY STATE

FEDERAL TRADE COMMISSION

Wachholz

Docket No. 7000 COMMISSION Exhibit No. 188-B

Consolidated Food

Witness

Reporter

REMARKS

3.60

DATE OF CONTACT	TYPE	FROM	SALES-MAN	Wachholz
10/20/52	s/r		aw	Used 4000# since June. Use Cent. Grd On., cont. to 1st of yr. @
				Rec'd samp. of Gentry prod.
12/1/52	s/r	aw		Agreed our prod better than Gentry. Left samp Free-Flo On
7/6/53	s/r		aw	Contr with Gentr-will give us occasional ord
9/3/53	s/r	aw		Will send some bus our way shortly-bus grow'g
10/22/53	"	"		Would prefer to buy fm us & not bill thr Forbes
11/19/53	memo	to rjs fm	jb	Shpmt of 5 cs pwd on & 5 cs free-flo on-inv to Forbes
11/23/53	s/r		aw	Says our gr on too coarse & our free-flo too fine
1/6/54	"		"	Our-free-flo didnt act right in mixers-said maybe more moisture
2/13/54	"		"	Getting car pwd fm Forbes at 73¢-our mat
5/13/54	"		"	Wish we could duplicate Gentr prod-prob we'd get all the bus
6/1/54	"		"	Compared our samps with Gentr mfr coarse grd-we may get bus
6/15/54	"		"	If our free-flo works we'll get 100% bus
7/12/54	"		"	Gentr offer'd 10% disc & on pwd at 46¢ fob Chi
7/19/54	memo	to aw fm	rjs	Keep close contact-dont want to lose bus because of Gentr offer
7/20/54	ltr	to cust fm	jb	Coverage contr of free-flo on to 6/30/55
8/16/54	s/r		aw	Our free-flo in chilli mix were not good-Gentr's OK-cancel ord.
8/24/54	"		"	In mixing machines our free-flo tended to gather ingredients into balls-Gentr coarse grind didnt do this.
9/9/54	memo	to aw fm	rjs	Send'g Bert Borders memo regard'g prob & lab rpt #9218
9/22/54	s/r		aw	Went over rpts-realizes their problem is moisture control
11/4/54	"		"	Gave new pr-using much on & gar now.

40s-2293

2266

Commission Exhibit 188B

COMMISSION EXHIBIT 188B

2295 COMMISSION EXHIBIT 189

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 571 Date: Oct. 19, 1953
Salesman: JB
Firm Name: Gerber Products Company
Persons Contacted: Mr. M. D. Kimbell and
Mr. Ray Paulson

Kimbell knows that we are discontinuing celery, but says they will take in additional celery from us in the next couple of months to use up material we have on hand and that he will send Fremonts requirements to their Oakland plant. The Fremont plant has had pressure put on them by Consolidated Grocers to use Gentry's powdered onion, but both Kimbell and Paulson claimed that they have not bought any Gentry material this year. Paulson showed me their records on powdered onion and according to these records Basic is the only onion they have had since January 1st. With the pressure that Consolidated is putting on and also due to the fact that we are going out of the celery business, I feel that Gerbers Fremont is going to have to be followed closer in the future and will arrange to see this account more often from now on.

J. Benzies

2296 COMMISSION EXHIBIT 190

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 63 Date: March 18, 1954
Salesman: JB
Firm Name: Gerber Products Company
Persons Contacted: Mr. M. D. Kimbell and Mr. R. Paulson

Mr. Kimbell admitted that they had ordered some powdered onion from Gentry. Said that Basic was still getting the onion business at Oakland and Rochester but that they had given Gentry a small order (intimated it was 5,000 lbs.) for Fremont. Kimbell said that we had definitely not lost the onion business at Fremont and that they would still be ordering powdered onion from Basic. I got the impression that [sic] Kimbell that he was very upset about the Gentry order but it was something that he couldn't do much about at the present time. His assistant Mr. Paulson has been handling the ordering of powdered onion, but Mr. Kimbell informed me that Paulson was being transferred to Rochester within the next few weeks and he was going to handle the onion buying himself, the same as he did in the past. Mr. Kimbell didn't come right out and say that Consolidated Grocers had put the pressure on them on the basis of reciprocity, but intimated that Mr. Ray Wakefield and others had suggested that they give Gentry some business.

J. Benzies

2297 COMMISSION EXHIBIT 191

Chicago, January 18, 1955

Memo To: Mr. R. J. Sparling
From: Jim Benzies
Re: Gerber Products Company, Fremont, Michigan

I called on this account last week and spent some time with Mr. Kimball.

Mr. Kimball says they have a contract with Gentry for powdered onion which will carry them to May 1, 1955. They may order some material for the Fremont plant from us after that date.

Mr. Kimball makes no bones about the fact that Consolidated Grocers put considerable pressure on them to buy from Gentry, and when this happened Gerber's management decided to use Gentry's material at the Fremont Plant, as they figured this way they would be using the new onion powder at one location so that if it was not satisfactory, or if anything went wrong, they would have the new material at just one location.

Kim says that Fremont is the only place they are using Gentry material—that Basic's onion is used 100% at Oakland and Rochester.

I think Kim resents the fact that Consolidated Grocers put this pressure on them but he says this entire matter was handled through a higher level.

2298 COMMISSION EXHIBIT 192

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 145 Date: 6/22/55
Salesman: RJS
Firm Name: Gerber Products Co.
Person Contacted: Luis de Alcuaz

Gerber has purchased 20,000 lbs. of Gentry Onion Powder for Fremont. De Alcuaz feels we were lucky it was not more in view of the close relationship between Cummings and Dan Gerber. He says this is the same as last year.

2299 COMMISSION EXHIBIT 193

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 229/55 Date: 10/7/55
Salesman: RJS
Firm Name: Gerber Products Co.
Persons Contacted: R. Manildi and Luis de Alcuaz

Worked out arrangements for early shipments to Rochester of 10,000 lbs. Onion Powder and Celery in car going to McCormick—Rochester first stop.

De Alcuaz satisfied with our onion, says it is better than Gentry Onion, but it's hard to fight an agreement made between Dan Gerber and Cummings. Gentry tells him that Basic is going to buy Proctor Schwartz Drier, because it has worked out so well at Gilroy and improved the product so.

Will need onion powder at Oakland in about 2 weeks.

2300 COMMISSION EXHIBIT 194

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 317 Date: 4/21/56
Salesman: RJS
Firm Name: Gerber Products Company
Person Contacted: Luis de Alcuaz

De Alcuaz just back from Fremont. He is to give Grossi the assignment to fully investigate potato granules. Grossi will contact us shortly. Luis says if the product is satisfactory, there is no reason why Gerbers will not be out with potatoes at the Fremont meeting it was definitely decided granules should be one of their new items.

I would recommend a visit by Bob Stephenson with Luis and Grossi. This should be very helpful to us. I can arrange this meeting.

At Fremont onion was discussed. Our product was preferred by laboratory. At the meeting Kimball, Fremont purchasing agent, was called to explain why Gerber must buy some material from Gentry even though technical people wanted to buy Basic.

2301 COMMISSION EXHIBIT 195

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 73/56
Salesman: RJS
Firm Name: Gerber Products Co.
Persons Contacted: Dick Manildi and Luis de Alcuaz

Report covers calls on 7th and 10th.

Finally placed the order for 13,000 lbs. of onion powder for Fremont. This was all handled through Oakland and cannot determine as yet future policy for Fremont. Jim Benzies should contact Fremont after his return from Florida.

I know Fremont bought from Gentry 20,000 lbs. in '55, and Gentry has no material that laboratory has approved. Hope this may mean Fremont is back with us. Will know later. There is still 17,000 lbs. approved onion powder for Oakland and Rochester.

On 10th of March saw de Alcuaz. He says we should get more business from Fremont. He talked to Kimball when Kimball was here on coast. Kimball knows we have better quality, but Dan Gerber insists some material be bought from Gentry. To keep Gentry purchases to a minimum, we should see Kimball and McGowan frequently. McGowan is friendly to Gentry.

2302 COMMISSION EXHIBIT 196

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 372 Date: 6/20/56
Salesman: RJS
Firm Name: Gerber Products Company
Persons Contacted: Dick Manildi, Dr. Stewart, B. G. Grossi and Luis de Alcuaz

Definite interest in potatoes. Research work assigned to Kelly. His job will be to work on packaging, storage stability and specifications. Grossi will have him contact Stephenson when Bob returns. I left a copy of laboratory report 11361 and Gerber found it interesting—a little hesitant about use of B. H. A. Also left them a copy of R. M. Stephenson memo to me on storage test. There will be a market test made in near future.

Oakland will need another 5000# onion powder in July. Material is already approved. Manildi has some figures for next contract. He said he would contract before I go away in August. Will arrange to send samples in August. Eastern plants will need onion towards the end of September. Shipment will be first of September.

Fremont plant does not want Gentry onion. Because of high bacteria count. De Alcuaz made them process 10 minutes longer. Production didn't like this.

Gerber Products Company (cont'd) | R. Paulson, Asst P/A
NAME | M. D. Kimball
Fremont, Michigan
ADDRESS
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
4/15/50	s/r	jb		Ordered 5000# po o and 5000# po cel for del in stopover car.
5/19/50	ltr	rjs		Ret signed contracts for 13,500# po cel and 10,500# po o. Gave little info on shipping etc.
6/19/50	ltr	jb		Re their inquiry for o and cel po for their plant in Canada.
7/29/50	s/r	jb		Ordered material.
8/11/50	ltr	rjs		Ret exec contrs for 40,000# po cel A-1000 and 40,000# A-200.
10/7/50	s/r	jb		Ordered material to be picked up by their truck.
2/3/51	s/r	jb		Ordered 5000# pow cel & 500# pow on & 1100# pow on
[illegible]	memo	jb to rjs		Chi.Conv.rep.Mr.Fred S.Wyatt andd Mr. Neil Tunnis in chg of Rochester Plnt.Ords for all plnts out of NY.
3/21/51	memo	rjs to jb		Re cel.samps give info on size, etc.On 3/21 sent samps Lots G-1225, G-1230, L-1240 & 1220
3/23/51	memo	rjs to jb		Worked in Oak.plant company Centry yell on with our White. Satis.w/our On and will continue to ordr.
4/3/51	memo	rjs to jb		Att memo Mr. Stephenson re celery.Pls adv.if samp ch be sent
4/6/51	ltr	jb to cust		Sendg new Cel samps.
4/10/51	memo	rjs to jb		Sendg Mich samp same cel sent to Oak.Also new prod 85% celery stlk,10 & 15% cel lf - 20
4/10/51	ltr	rjs to cust		Sendg 2 samps Cel Flks,1 85% stlk & 15% lf & 1 70& stlk & 30% lf.Pls adv which u pref & adv jb reslts lab pack
4/9/51	teltype	Chic-SF		Paulson requ 25# Cel Stlk L1218 for prod run
5/7/51	memo	rjs to jb		Sent 8 oz Jar L 1018 85% stlk 15% leaf -10

4/15-93A 3 of 3

Gerber-Ogilvie Baby Foods Limited
NAME
North & Stanley Streets
ADDRESS
Niagara Falls, Ontario
CITY STATE

Also - 358 Dufferin St., Toronto, Canada

DATE OF CONTACT	TYPE	FROM	SALES-MAN	Benzies	REMARKS
7/20/50	ltr	above		Purchased celery and onion powders.	
7/28/50	ltr	jb		Adv we will ship etc.	
10/6/50	ltr	jb		Wrote to D. L. Swanson at sugg of Messrs Kimbell and Paulson re requirements of po o and po cel for next 6 to 8 mos.	

FEDERAL TRADE COMMISSION
DOCKET 7000 EXHIBIT NO. 197-B
FILED Consolidated Foods
DATE 10/31/52 REPORTER Sparling REPORTING CO.
BY James

COMMISSION EXHIBIT 197B

Commission Exhibit 197B

2275

4/6 14913 23 1.5

Gerber Products Company (cont'd)

NAME

Fremont, Michigan

CITY ADDRESS STATE

FEDERAL TRADE COMMISSION
FTC Docket No. 7000 Exhibit No. 197-C
IN THE MATTER OF Consolidated Foods Sparling
DATE: 10/21/58 REPORTER: [illegible] REPORTING CO.
FILE CLASSIFICATION: 4 A 9
FOUNDATION ONION GARLIC

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	REMARKS
6/19/48	S/R	jb	Basic	On strike; running 1/4 capacity. Still have 10,000# Po O will run out before 8/1. Will follow.
7/22/48	S/R	jb		Talked to Kimball & arranged to ship 5000# 200C cleaning up contract. Also Arranged to ship 960# 1000C on hand at Midland and 3000# add. as soon as available.
8/4/48	memo jb from SF Office			Quoted article from 7/19 issue of Food Field Reporter re increased business in baby food.
9/10/48	memo rjs to jb			Fremont, Mich & Oakland plants both in need of Po Celery. Mr. Greenlee of Oakland plant has arranged to have 1000# scheduled for shipment to Fremont diverted to Oakland.
9/10/48	memo rjs to asp			Re celery po which may not meet Gerber's specifications. Have order for 1540#.
9/11/48	s/r	jb	Basic	Asked for estimate of Po O & Po Celery they will need next yr. Have 10 week supply of Po O on hand.
9/18/48	ltr jhh to cust			Sent samps of canned onions. Asked for his impression of pack
9/24/48	memo jb to rjs			Picked up 4000# celery this week. Issuing contract for 20 to 30,000# Po O and 30 to 35,000# Po celery. Must have addtl celery by Nov. 1. JHH promised Kimball we would have the celery for them by 11/1.
10/2/48	ltr jb to cust			Will have 4000# Po Celery available soon and omit 1¢ increase
10/20/48	memo jb to rjs			Cust holding up contr on Celery cause feel they will also need O Po and will send contr and order at same time.

197-C

4/8

REMINGTON RAND INC. 60 EAST 42nd STREET, N.Y.

2276 Commission Exhibit 197C COMMISSION EXHIBIT 197C

FEDERAL TRADE COMMISSION

Gerber Products Company (cont'd) — NAME

Fremont — ADDRESS

Michigan — CITY — STATE

DOCKET NO. 7000 — EXHIBIT NO. 197-D

IN THE MATTER OF Consolidated Foods

DATE 10/31/57 — TIME — REPORTER Acme — EXAMINER

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
6/12/51	memo	rjs to	Stell	Pls ship 2# cel pow fr stalk to Paulson,Gerber,Fremont,Mich.
6/20/51	memo	rjs to	jb	Suggest Fremont Plnt withdr all pow cel we have on hand
6/25/51	s/r	jb		Instrtng Oak.plnt make blanket contr covrng requir all plants
8/16/51	memo	rjs to	jb	Grocsl,Onl. Plt.approv'd our celery, combo, lf & stk.
8/20/51	memo	jb to	rjs	OK. Order in for cel 5/17/52 and 10/1/52 and pow cel 6/16/52
8/31/51	memo	rjs to	jb	.7127 pr ck for lf,stk,cel,pow cel. Will approve 10/1/52
9/24/51	memo	rjs to	rms	re shipm't pow cel,adv if mater met standards for pow cel
10/1/51	memo	rjs to	jb	Count 102,000 per gram over standards of 100,000
1/16/52	ltr	jb to	cust	Enc Memo Order for Minc Cel.
5/17/52	s/r	jb		Ord'd 10,000# Pow On & 10,000# Pow Cel & 2000# Pow On
6/16/52	ltr	jb to	cust	adv. cel po and cel fl are sterilized
10/21/52	memo	jb to	rjs	Bot 38,200# Pow On 9 mos of this yr.Insist not buy'g Gentry
2/20/53	s/r		rjs	Their records showed a Nov. pur of Gentr onpwd.Exp'ld they should buy large quantities not later than April.
10/19/53	"		jb	Will take addit'l col fm us-pressure put on by Consil'd Grocers
3/4/54	memo to	jb fm	rjs	Plan a trip in the near future-shd have bot on pwd
3/18/54	s/r		jb	Admitted they ord'd pwd on fm Gentr-intimated it was 5,000#
5/26/54	"		rjs	Complained we did poor job of sterilizing cel which caused spoilage
6/2/54	ltr to	cust fm	rjs	Col was properly sterilized-send samp to lab
9/13/54	s/r		jb	Claim they only took in 1 shpmt pwd on fm Gentr this yr.
11/3/54	"		rjs	Had some high bacteria counts on Gentr on-told why our prod superior
12/16/54	memo	to jb fm	rjs	Send'g 10,000# cel in our car to Fremont-no on.

Benzies

COMMISSION EXHIBIT 197D

2312 COMMISSION EXHIBIT 198

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 267/54 Date: April 19, 1954
Salesman: RGG
Firm Name: Bedford Food Products
Person Contacted: Mr. Frank Colburn

Mr. Colburn told me that he has been instructed to buy some merchandise from Gentry this year as Consolidated Grocers are buying Bedford's chili sauce and jams. He said that this information was strictly confidential.

Bob Gallo

2314 COMMISSION EXHIBIT 199

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 216/56 Date: June 4, 1956
Salesman: RGG
Firm Name: Bedford Food Products
Person Contacted: Mr. Frank Colburn

Mr. Colburn told me that he regretted that he was unable to give us an order for him to be shipped in the Weller car but said he did not order anything from Gentry either.

He said that he has 2900 pounds of chopped onion at Weller's that is a carryover from last year. Weller has agreed only to pack enough chili sauce for him to use up the supply of onions.

Mr. Colburn said he is dickering with Booke and Brown of Westfield, N. Y. as a chili sauce packer and added that if they work anything out, he will place some business with us.

Back in 1953, Booke and Brown did some packing for him and we supplied them with Lot 130. Will follow up.

2315 COMMISSION EXHIBIT 200

For: Gentry File

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 406/54 Date: June 7, 1954
Salesman: RGG
Firm Name: Bedford Products, Inc.
Person Contacted: Mr. Frank Colburn

Mr. Colburn placed the following order to be delivered to the Lake Erie Canning Co., Sandusky, Ohio. It will be in order to ship this merchandise at once or just as soon as the car for Weller is to be shipped.

2500 pounds of Lot 130 Basic "Fresh Flavor" Chopped Onion at .513 per pound FOB Vacaville.

Memo to RJS—Mr. Colburn said that he would give me an order at a later date for at least part of his balance of 2500 pounds of Lot 130. He said that pressure has been put on him to place business with Gentry as they are selling Consolidated their jellies and jams.

Bob: Mr. Colburn asked me to please see that they are billed for this material after July 1st. Will you please arrange this. Thank you.

Bob

2316 COMMISSION EXHIBIT 201

Copy for Gentry File

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 267/54 Date: April 19, 1954
Salesman: RGG
Firm Name: Bedford Food Products
Person Contacted: Mr. Frank Colburn

Mr. Colburn placed the following contract to be ordered out after July 1.

5,000 pounds of Lot 130 BASIC "Fresh Flavor" Chopped Onion at either .513 per pound FOB Vacaville or .549 per pound FOB Chicago. This merchandise is to be shipped to the Lake Erie Canning Co., Sandusky, Ohio, who is packing chili sauce for Bedford.

Mr. Colburn will give us shipping instructions at a later date. He advised me to contact this concern as they pack a good deal of chili sauce and catsup and thought that if we can sell them, we can include their merchandise and his in the same car. Does our Chicago office handle this territory? He also advised me to contact Weller & Co. of Oak Harbor, Ohio. This concern packs catsup. Are we selling this account?

Mr. Colburn told me that he has been instructed to buy some merchandise from Gentry this year as Consolidated Grocers are buying Bedford's chili sauce and jams. He said that this information was strictly confidential.

Bedford Food Products
Dunkirk, NY

CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALES MAN	REMARKS
6/3/57	s/r		RGG	Does not know what amount of lot 130 he will be needing-will know early July.
6/18/57	s/r		RGG	Will need 3,000# lot 130-would like it added to Weller car, and Weller will invoice him.

FEDERAL TRADE COMMISSION
Docket No. 7000 ... U.S. No. 202 A
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 ... Sperling
REPORTER HC&E ... CO.
BY Chimes

Commission Exhibit 202A
COMMISSION EXHIBIT 202A

2317
202 A

2281

FEDERAL TRADE COMMISSION

Bedford Products, Inc. (NAME)
Dunkirk (ADDRESS)
New York (CITY) (STATE)

Robert E. Noble 7000 COMMISSION EXHIBIT No. 202-B
IN THE MATTER OF Consolidated Foods
DATE 10/21/57 WITNESS Sparling
REPORTER Pace KEPNER-TREGOE CO.

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
			Butler	
4/24/51	ltr	jwh to cust	rgg	Sent samp Ch On & Sp Ch On & pr.
2/25/53	s/r			Buys Contr on chips. Also uses raw on. Left smaps of 130 & 820.
4/23/53	JFB to RJS			Potential catsup packers.
5/5/53	s/r		rgg	Consider'g pack chili sce later. Likes our Lot 130. Will follow
7/21/53	ltr to cust fm	jwh		Gave pr on pwd on
7/31/53	ltr to cust fm	jwh		Given price on ch on-60¢ per#
8/18/53	s/r		jfb	Ship'g 2,520# fr flvr ch on.
10/6/53	"		rgg	Completed chili sce pack-dont need mat til next season
2/1/54	"		"	Will give rqmts in May or June for chili sce-will follow up
4/19/54	"		"	Mat to be shpd to Lake Erie Can'g Co, Sandusky, Ohio
6/7/54	"		"	Pressure put on them to place bus with Contr
8/2/54	"		"	Split bus for ch on this yr & will do likewise next yr.
9/13/54	"		"	Wont need on til next season.
11/30/54	"		"	We'll get at least 50% on bus again next yr.
2/15/55	"		"	Placed contr to be withdrawn before 6/30/55. for 2500# 130
4/6/55	"		"	Will withdraw contr for 2500#
6/6/55	"		"	Placed an order of 2500# of Lot 130
12/14/55	"		"	this firm has be purchase by National Dairies, Mr. Colburn said would not change their buying policy, but will be next yr. before they will know how much of lt.130 will need for Chili Sauce.
3/4/56	S/R		ROC	Colburn said regretted that he was unable give us an ord.& said he didnot ord. anything frm. Contr. either.

2319 1/30/ 202B

2282

Commission Exhibit 202B

COMMISSION EXHIBIT 202B

2321 COMMISSION EXHIBIT 203

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 120 Date: March 24, 1955
Salesman: AW
Firm Name: Blue Seal Foods
Person Contacted: Joe Wise

Asked Joe when we would get some business. Said he is splitting business now because of Gentry-Consolidated tieup. We are due for next order.

Joe insists that the problem at Swiss-American is solved. He firmly believes that the trouble Swiss is having with the onion fermenting is not the fault of the onions but with careless procedure. He was a bit irritated that Herb Novitt was not satisfied with his findings & asked our lab for help.

A Wachholz

2322 COMMISSION EXHIBIT 204

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 122 Date: August 18, 1956
Salesman: AW
Firm Name: Consolidated Report

1. American Provision—Pete Keller said to call on him Sept 1. and he will mostly likely be ready to order more onion & Garlic.
2. Midland Food Products—Owner is in Formosa and will return after Labor Day.
3. Reese Finer Foods—Herb Novitt said that Blue Seal Products had to take in over 5,000# of onion & garlic

about 4 months ago in return for a contract from Consolidated to produce salad dressing. Herb said that Gentry has been claiming also that they have not had business from Blue Seal but the truth is that Blue Seal still has some of this 5,000# on hand. Reese F.F. and Blue Seal work fairly close. Novitt claims to be using our merchandise exclusively. The only way Gentry merchandise gets into their products is on items that Blue Seal manufactures for them.

4. Meat Industry Products—Will be moving to their new plant in Northfield, Ill. in about 6 months . . . when they expect building to be completed. Friedman asked me about the possibility of private label onion & garlic powder which I explained could be done. Said they also might consider warehousing our merchandise in their locations at Los Angeles, San Francisco, & Portland.

A Wachholz

2323 COMMISSION EXHIBIT 205

Commission Exhibit 205 is a duplicate of Commission Exhibit 155.

Blue Seal Food Products Co.
NAME
3400 West 48th Place
ADDRESS
Chicago, Illinois
CITY STATE

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING
11/4/49	s/r	wfw	
11/18/49	s/r	wfw	Pucc
11/22/49	s/r	wfw	
12/1/49	s/r	wfw	
12/27/49	s/r	wfw	
1/5/50	s/r	wfw	
2/3/50	s/r	wfw	
2/24/50	s/r	wfw	
3/20/50	s/r	wfw	
4/14/50	s/r	wfw	
5/1/50	s/r	wfw	
10/26/50	s/r	wfw	
11/30/50	s/r	wfw	

43

PRODUCT Penzios
SALESMAN
UNION
NAME Joe Wise, chemist & buyer
CITY
REMARKS

Mfg salad dressing, mayonnaise, sandwich spreads.
Buy from Fahrenkamp. Chem int in our r pep and vapour of our po o. Wants copy of evaluation test - excellent prospect.
Buys w o po at .50. Worked with Wise on our mine cel and r pep. Plan new prod which will use cel.
Have devel excellent cocktail sce using our cel, r pep and po o. Belongs to "Big Ten" and they agree not to reproduce each others items unless it is superior product.
Joe Wise, chemist, out for afternoon.
Dev cocktail sce using mine cel. Also experimented with our sl and po tomato.
Routine call - unable to see Perry.
Cocktail sce containing our cel found quite pleasing but they will not produce item competing with Kittler Bros. Now working on vege salad dressing using our vege mix #2.
Saw and tasted samp of vege salad dressing using vege mix 2.
Routine call.
Routine call.
Must have separation of oil and other ingredients in french dressing and cannot get with po o. Sugg FM 31 for method.
Use 10[illegible] give separation [illegible] due, they believe to vegetable [illegible] eliminating vege juices.

2534

COMMISSION EXHIBIT 206A
Commission Exhibit 206A
2285

BLUE SEAL FOOD PRODUCTS CO. (CONT'D) | Joe Wise, Chemist & Buyer
NAME
3400 West 48th Place
ADDRESS
Chicago, Illinois
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
5/7/55	s/r		AW	Promises business soon.
7-2-55	"		"	Recently placed 500# with Gentry.
1/25/56	"		"	One of Joe Clients have been putt'g up garl.Puree in retail have trouble of spoilage ,gave samples & formula will give to client.
2/4/56	"		"	Wise made up Garl.Puree us'g 110,said flavor very good.
3/31/56	"		"	not got'g Jewell bus.yet.promised to split frm.now on.
4/28/56	"		"	Dorothy McMahon said she has not forgotten us & we will receive next order.
7/21/56	"		"	will not sign Contr.with us but promise to at least split bus.
10/2/56	"		"	not much on & gar. purchased of late. will have to be persist. for ord. Gentry gotng much bus.
12/1/56	"		"	Getting some business will get next order.
2/9/57	s/r		AW	Will be getting more of business than we have in past.
3/23/57	s/r		AW	Bertha test not too good. Gentry come out much better.
5/4/57	s/r		AW	We are to get next order.
6/15/57	s/r		AW	D. McMahon said bus. would be split in future-will not contract

7/11/ D-Contr signed up to 5,000# Dried Onions & Garlic 6/24/57 to 7/1/59

DOCKET NO. 7000 ITEM NO. 206-B
DEFENDANT Consolidated Foods
DATE 10/21/58 REPORTER Sparling
REPORTED BY Alger REPORTING CO.
Jamer

2286 Commission Exhibit 206B COMMISSION EXHIBIT 206B

2326
2610
437

Blue Seal Food Products Co. (cont'd) — Joe Wise, checklist & Daver

NAME

3400 West 49th Place

ADDRESS

Chicago, Illinois

CITY — STATE

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
1/8/51	s/r	wfw		Mr. Wise still experim.with Lot 105 & 210.Will call back soon
1/14/52	s/r	wfw		Saw Wise who said working hard for Basic but pr too high
1/15/52	s/r	wfw		Will run test L 300.Now buying white onion powder fr Fahrenkamp @ 52¢
2/18/52	s/r	wfw		Basic pow.on.better than Pucc in Fr Dressg test
3/21/52	ltr	jb to cust		Encl M/O rep.covg contr dr on to 12/31/52
7/28/52	s/r	wfw		6 cs 300 caking badly, clog screens, replacing with 200. issue cred for 300 bill 200 at 55¢
8/6/52	s/r	wfw		no problem with caking since changing to 200-working on them to use po on and ga in on and ga juice
9/23/52	s/r	wfw		Left 150# L200.Use Basic exclusively
11/4/52	ltr	jb to cust		Encl M/O requ Pow on to 6/30/53
1/12/53	s/r	wfw		has 4 cs Lot 300 on hand.No competitive merch in sight.
4/24/53	s/r	wfw		Will switch fm Lot 300 to 200.May make gar flvd dressing
7/16/53	s/r	wfw		Coverage for 2,000# on pwd to Dec 31st
7/17/53	ltr to	cust fm jb		Coverage contr for dr on to 12/31/53
2/8/54	s/r	wfw		No caking prob to date with Lot 300-Will switch them to 200 in
4/29/54	"	"		Using BASIC exclusively-work'g on T-155 for Swiss Amer.
7/6/54	ltr to	cust fm jb		Coverage contr fm 7/1/54 to 6/30/55
8/2/54	s/r	aw		Contr very active at this acct-swamps them with samps
11/2/54	"	rjo		Will ord yell pwd during winter-use very little gar pwd.
3/24/55	"	aw		Says prob at Swiss-Amer. is solved-we are due for another ord.

COMMISSION

D. " 7000 — 1 30. 206-C

M L. Consolidated Foods

Ltr 10/27/58 Spalding

REPORTER'S REMARKS ON CARD

2327

June Foods 206C

COMMISSION EXHIBIT 206C

Commission Exhibit 206C

2287

Blue Seal Products Company
NAME 3400 West 48th Place
Chicago, Ill.
CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALESMAN	REMARKS
11/23/57	Sr		AW	Contracted with Gentry, will try to give us order b/4 Doc 1 while we are still competitive.

FEDERAL TRADE COMMISSION
DOCKET 7000 206-D
NAME Consolidated Foods
DATE 10/21/57 TYPE Spotting
REPORTED BY Reg. REPORTED TO
BY James

2327
206D
440

2288 Commission Exhibit 206D

COMMISSION EXHIBIT 206D

2331 COMMISSION EXHIBIT 207

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 204/56 Date: May 29, 1956
Salesman: RGG
Firm Name: Bluepoints Company
Person Contacted: Mr. McTaggart

Mr. McTaggart told me that Bluepoints is now owned by Doxee Corp. of Brooklyn and that he will continue to do the buying.

Plans are being formed to move clam chowder manufacturing from Lewes, Del. to here. This should mean increased production on this item. When Mr. McTaggart is ready to start production, he will be in touch with us.

2332 COMMISSION EXHIBIT 208

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 715/54 Date: October 13, 1954
Salesman: RGG
Firm Name: Bluepoints Company
Person Contacted: Mr. Shaeff

This concern packs a small quantity of clam chowder almost every year. They intend to pack some this year but have already contracted with Gentry for about 500 pounds of onion chips.

Mr. Shaeff said that the reason that they have placed their business with Gentry is because the largest customer they have for clam chowder is Consolidated Wholesale Grocers. The Gentry man naturally mentioned this to him and he said that he had no alternative but to place his small business with them.

Bluepoints Co. Inc
NAME
West Sayville, Long Island, N.Y.
ADDRESS
CITY STATE

Gillo

DATE OF CONTACT	TYPE	FROM	SALES-MAN	REMARKS
1/17/53	ltr JWH to cus	tr		Req. SF send samp. 1-1# 145, 1-1# 130 sent from SF
6/10/53	ltr to cus fm	jwh		Shpd 3 cs, packed 4/8 sl on.
5/17/54	s/r	rgg		Willcall us when they need on
10/13/54	"	"		Contr with Centr for 500# on chips for clam chowder

FEDERAL TRADE COMMISSION
Docket No. 7000 COMMISSION EXHIBIT No. 209-A
IN THE MATTER OF Consolidated Foods
DAY 10/21/58 WITNESS Sparling
REPORTER'S OFFICIAL REPORTING CO.
BY James

146

20 GP
233

2290 Commission Exhibit 209-A
COMMISSION EXHIBIT 209A

COMMISSION EXHIBIT 209B

DATE OF CONTACT	TYPE	FROM	TALKED WITH	DATA	RELATION TO
9/8/62	T/C	Hoel		Discuss [illegible]	
9/10/62	T/C	Hoel		Discuss [illegible]	
9/11/62	T/C	Hoel		Discuss [illegible]	
9/12/62	T/C	Hoel		Discuss [illegible]	
9/13/62	T/C	Hoel		Discuss [illegible]	
9/14/62	T/C	Hoel		Discuss [illegible]	
9/15/62	T/C	Hoel		Discuss [illegible]	
9/16/62	T/C	Hoel		Discuss [illegible]	
9/17/62	T/C	Hoel		Discuss [illegible]	
9/18/62	T/C	Hoel		Discuss [illegible]	
9/19/62	T/C	Hoel		Discuss [illegible]	
9/20/62	T/C	Hoel		Discuss [illegible]	

2336A COMMISSION EXHIBIT 210

To: J. H. Hume

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 305/54 Date: July 1, 1954
Salesman: LTD
Firm Name: The P. J. Ritter Company

Ordered 1600 lbs. BASIC "Fresh Flavor" Powdered Onion and also have 10,000 lbs. of Special Catsup Onion enroute from Vacaville.

Will have discussion with Glenn Knaub next week, but I understand that Gentry has a contract with the Ritter Company on #10 Diced Peppers under Gentry label, that has been placed by Consolidated Grocers for products this year, and because of Consolidated Grocers placing this business with P.J. Ritter Company the Ritter Company will give them 25% of their onion and garlic business. However, will stay very close to this firm to obtain as much business as possible for Basic.

2336B COMMISSION EXHIBIT 211

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 35/55 Date: January 21, 1955
Salesman: LTD
Firm Name: The P. J. Ritter Company

These people are currently buying small amounts for pork and bean pack and will not have figures on their requirements until some time after March 1st. They gave us 75% of their business last year and 25% to Gentry because they are selling them canned red peppers and also Consolidated Foods Wholesale Grocery Divisions are selling Ritter consumer size canned products.

P. J. Ritter Company (cont'd)

NAME

Bridgeton, New Jersey

CITY STATE

FEDERAL TRADE COMMISSION

FOUNDAGE Dawe DT No. 212-A

UNION

Consolidated Foods

REPORTER'S REMARKS CO.

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	
2/28/49	s/r	ltd		Howard Lacey found brush bristles in our onion. Not too serious but felt our quality control should know about it. Expect to go over their annual require contr about 15 of Mar. Somewhat blue about very heavy inventory.
2/28/49	ltr	rms		Apologized and explained how bristles got into onion.
3/2/49	memo	ltd to rjs		Re decrease in sales - had heavy carry-over.
4/23/49	s/r	ltd		Saw Glen Knaub, Dir. of Purch., - they est will need 500# lot 105 for July prod of pork & beans. Estimate for green tomato relish is 25,000# lot 105 and 25,000 lot 125.
5/5/49	ltr			Ltr from Glenn E. Knaub, Dir of Purch, confirming their intention to use our products so as to avail themselves of the low new crop prices.
5/16/49	ltr	rjs		Ret exec contr for up to 3,000# po garlic, 30,000# special ch on and 35,000# special catsup onion. Adv them is they want the po onion it will be available at 50½¢ lb.
6/29/49	memo	jwh to rjs		Sent copy of ltr rec from Ritter dated 6/27 re their require.
1/13/50	s/r	ltd		Want full info on Span Rice - also dog food using our o and g po. Gave cs yello o po. Plan to mfg cheap dog food with/o BAI inspec - int in cheap carrot filler.
2/1/50	s/r	ltd		Has not rec info on Span Rice. Int in improving their Thrivo with dehy vego mix and carr trimmings.
2/14/50	ltr	rjs	Send B	form for span rice and referred to ltd.

2329

212-A

REMINGTON RAND INC. 10 52 705-30865 1-47

COMMISSION EXHIBIT 212A

Commission Exhibit 212A

2293

P. J. Ritter Company (cont'd)
NAME

Bridgeton, New Jersey
CITY STATE

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING
6/10/48	ltr	ltd	
3/30/48	memo ltd to rms		
6/21/48	Lab report #1554		
6/21/48	ltr rms to cust		
7/14/48	S/R	ltd	
9/25/48	s/r	ltd	
11/9/48	memo jwh to rjs		
11/11/48	s/r	ltd	
11/18/48	ltr rjs to cust		
2/24/49	memo wmh to ltd		
2/18/49	ltr	jwh	

FEDERAL TRADE COMMISSION
FOR Dawe
Docket No. 7000 Exhibit No. 212 B
IN THE MATTER OF Consolidated Foods
DATE 10/4/50 WITNESS Sparling
REPORTER: Acme Reporting Co.

Enc Lab. Bulletin FM-82A on Sp Hi Gra Chili Sauce.
Cust complain over o flavor fading out compared to raw.
On the examination of Ritter Green Tomato Chili Sauce Relish made with dehydrated and with raw onions.
Enc lab report
Placing order for 8000# 105 82¢ & 10000# 125 86¢. Want this from first shipment of new crop white onions. Approved Basic at higher price than Gentry.
Suff stock Po 0 for cats. Estimate will need addtl 5000# lot 105 for pork & beans in 1/49 and may also need addtl 2000 to 5000# lot 125 to complete green tom relish pack after def figures decided upon by 10/1/48.
Changed lot 125 to lot 105 on m/o of 10/29.
Bought out "Thrivo" dog food co. and intend to improve prod. Sugg using garlic. LTD asked rjs to write letter giving info. Glenn Knaub has joined this organiz. Going to calculate their needs for 49 prod now estimated at 25,000 min 50,000 max.
Ltr written to Albert Uber on importance of garlic in dog food
Enc lab bul FM-14.
Re 7 bags of onions shown on new bean line drawing.
Re foreign material found in sp cats on.

450

212 B
213338

2294 Commission Exhibit 212B

COMMISSION EXHIBIT 212B

FEDERAL TRADE COMMISSION

P. J. Ritter Company (NAME)

Bridgeton, New Jersey (ADDRESS — CITY — STATE)

Docket No. 7000 (COST FOUNDAGE) — Docket No. 212-C — 1 (CLASSIFICATION)

IN THE MATTER OF: Consolidated Foods (ONION — GARLIC — CELERY) — 2 C

DATE 10/24/47 — WITNESS Spalding — 3 A

REPORTER Federal Shorthand Co. (CHEMAWKS CO.)

BY

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	
5/5/47	S/R	jfb-jhh	Basic	Promised give all business for onion, subject to price, about 20,000# Lot 200, 1000 to 1500# Lot 600 and some125(5000#) Request test for moisture info
5/10/47	S/L	rms	"	Sent Karl Fischer procedure; technical information
5/10/47	"	jhh	"	Confirming orders; thanked; etc.
5/14/47	"	rms	"	Taste procedure for celery; more tech info
6/2/47	S/R	"	"	Suggest we ship 25,000# Lot 125 on east for stock so can give immediate delivery; will place firm order for req. about 7/1
6/5/47	"	jfb	"	Will make further taste tests of onion & garlic in relish
6/10/47	"	" rms	"	Raised order from 2000# Lot 200 to 3000# and garlic to 300# tests in relish satisfactory; will continue following
6/26/47	"	"	"	Did not call here today, because afraid would ask delay in shipment of over 6000# being loaded; will call later but think will have to wait until August for balance of requirame
7/9/47	"	"	"	Typed contract for 20,000# Lot 200, 1000# Lot 600 and 5000# lot 125, some has already been shipped; more about 9/1; still will not order more 125 for green tomato relish until check raw market; see mid August about this
7/15/47	S/L	rjs	"	Sent copies of contract; will have to ship Lot 125 from Vaca requested shipping dates; thanked for business, etc.
8/9/47	S/R	jfb	"	5000# 125, bill 9/1; inclined to use Basic but wants to be certain ok; may need 15000 to 20000# 125

2329

154 212 C

COMMISSION EXHIBIT 212C

Commission Exhibit 212C

2295

P. J. Ritter Company (con't)
NAME

Bridgeton, N. J.
CITY STATE

FEDERAL TRADE COMMISSION
FOR PURPOSES OF IDENTIFICATION
Docket No. 7000 Exhibit No. 212-D
IN THE MATTER OF Consolidated Foods
DATE 10/21/58 OFFICE Appraisal
REPORTER: Acme REPORTING CO.

1
2 C
3 A

DATE OF CONTACT	TYPE	IND. INITIALS	NOW USING	
8/14/47	S/L	jwh	Basic	Cancel 10,000# 200s shipping instead 20,000# 125 and 10,000# 200 at 75¢ and 67¢; thanked for business
8/26/47	S/R	ltd	"	540# 600; waiting for material in car from Vacaville
9/2/47	S/L	rjs	"	Re carload shipment
9/20/47	S/R	ltd	"	Didn't have to buy raw onions, as car arrived in time
2/16/48	S/R	ltd	"	Ample stock of Gentry until new production season; should then require 15,000# Powd Onion & 15,000# Lot 125 from us.
3/24/48	S/L	ltd		forwarded request from Zweigle for Red Pepper Hulls
4/2/48	S/R	"	Basic	May use Lot 105 in Catsup this year; used both Gentry & Basic last year & complain of flavor fading in Relish ; Paul Ritter back as VP in Sales & Al Uber Production Mgr; may give us 100% this year if price equals Gentry; have large stock & estimates about 35% curtailment this year.
5/4/48	S/R	ltd		Lab approved #105; expect need 10,000# #125 at Bridgeton by Sept; also expect use 10-15,000# #105; will not confirm until sign contracts with farmers
5/28/48	S/R	ltd		Expect order of 10,000# lot 105. Taking 1-5 gal can Lot 1230 for tests using in chili sauce, also #10 can Lot 150. Advised they still intend splitting business as in the past.
6/5/48	S/R	ltd		Est. 85000#-O.P.7,000# for this season's pack of otsp. Not pkg. chili sauce; will not need onion chips.

2054 453

212-D

2296

Commission Exhibit 212D

COMMISSION EXHIBIT 212D

FEDERAL TRADE COMMISSION

Docket No 7000 COMMISSION Exhibit No. 212-E

IN THE MATTER OF Consolidated Foods

DATE 10/21/58 WITNESS Sparling

REPORTER General Reporting Co.

P. J. Ritter Company
NAME
Bridgeton
ADDRESS
New Jersey
CITY STATE

DATE OF CONTACT	TYPE	FROM	SALESMAN	REMARKS
5/16/53	s/r		ltd	Dawe Expects to give us shpg instruc on 1st carload in June.
6/4/53	memo	to rjs fm	jwh	Are onpacked in Jun & Jul not as potent as when packed in Aug
6/9/53	memo	to ltd fm	rjs	Our competitors work'g here & giving false info probably
6/12/53	s/r		ltd	Gave instruc for 30,000# carload to arrive by Jul 20th
7/14/53	"		"	Wants to know if new crop pr Jul 14th applies to car now enroute
8/14/53	"		"	Have rqmts for addit'l supplies for this season's pack
8/26/53	"		"	Adv car wouldnt arriv til 9/7-had to make other arrangements
9/21/53	ltr fm	cust to	jwh	Car pwd fm Pappas was coarse grind-want to know comparative flvr strength
9/25/53	s/r		ltd	Made adjustment on 9/16 inv of $1,320.00
9/29/53	"		"	Have used sp cats on 105 & like it-have finished cats pack
10/29/53	"		"	Stock of 150# drum lot 125 still held at Ritter plt
2/19/54	"		"	Rqmts between 100,000 & 120,000# total
3/26/54	"		"	To send rqmts contr for Lots 125, 105 or 110, 200 805 or 810
4/1/54			CONTR:	Up to 50,000# ch on, 40,000# cats on, 20,000# pwd on, 3,000# cats car fm 7/1/54 to 6/30/55
4/13/54	s/r		ltd	Watch'g pur contr very closely-competition fm various outlets
3/14/56	Contr.	7/1/56 to	6/30/57	total requirements of On.& Carl. up to 98,500#

455= 2343 E

COMMISSION EXHIBIT 212E

Commission Exhibit 212E

2297

P. J. Ritter Company — Romney
Bridgeton NAME
New Jersey ADDRESS
CITY STATE

DATE OF CONTRACT	TYPE	FROM	SALES-MAN	REMARKS
5/20/57	Contr.	up to 98,500	RJS	lbs. total requirements dried On. & Car. 6/20/57 to 7/1/58.
8/21/57	s/r			Although tests came out in favor of our prod. they are considering raw.

FEDERAL TRADE COMMISSION
Docket No. 7000 Case No. 212 F
Filed Consolidated Food
Returned 10/21/58 Sparling
Accepted June

2045
212F

1/59

2298 Commission Exhibit 212F
COMMISSION EXHIBIT 212F

2347 COMMISSION EXHIBIT 213A-B

Chicago, March 23, 1954

(JHH)

Memo To: Mr. W. M. Hume
From: Jim Benzies

The reciprocity deal of Consolidated Grocers pushing Gentry's material is getting very serious. As you know, we had some trouble like this about a year ago and then it died down. Now Mr. Cummings, Chairman of the Board of Consolidated Grocers, seems to have made it a personal issue to get concerns to use Gentry's material and has used the reciprocity deal to do it.

As we have previously reported, they have tried the reciprocity deal on even the large concerns such as Swift, Libby, Armour, etc. and have been successful with some concerns such as College Inn and Illinois Meat, and a few others. Recently, they were successful in using this pressure to get some onion business from Gerber's Fremont plant and I believe it has helped them to get business from various other manufacturers.

At Oscar Mayer & Co. they have gone direct to Oscar Mayer Junior and the only reason they have not got any business there is due to the fact that the Quality Control Department has not OK'd Gentry's material, but if the pressure is put on hard enough then Oscar Mayer's purchasing department and laboratory will likely be compelled to use Gentry's material.

This pressure is usually put on by going over the heads of the purchasing departments and laboratories, usually to the sales department or some one higher up.

Now we have run into another deal. Bill White reports from Detroit that Gielow informs him Consolidated Grocers, who is his largest customer, has put so much pressure

on him through his sales department that he feels he just has to buy 100% of his requirements of onion and garlic from Gentry. Gielow tells White the same thing College Inn and Illinois Meat told us, that is that price is no object, they just have to buy from Gentry to keep the good will of Consolidated Grocers. As an example of this, when Bob Sparling was in Chicago we called on Martinson at College Inn and just to see what would happen we asked him if he would give us an order if we cut the price in half. Martinson told us he could not take anything but Gentry's material even if we wanted to give him our material for nothing.

As I stated in the beginning, I feel Cummings or some one else in Consolidated Grocers has decided to make Gentry a success and they are going to do it by using the reciprocity deal of Consolidated Grocers. If they are successful in using this method to get business from concerns like Gerber, Gielow, Illinois Meat, Oscar Mayer, etc., then they are going to continue to use this method on other concerns both large and small. After all, Consolidated Grocers are buying from almost every food manufacturer and they handle all the nationally advertised brands, besides having large amounts of various items packed under private label for their various wholesale grocer divisions in different parts of the country.

As you know, Consolidated Grocers executive offices and buying offices are in Chicago, so at present they may be having more effect and more success with this program in the Middle West than in other sections of the country, but it is only reasonable to expect that if they are successful in this area that they will use the same method elsewhere, especially where they have wholesale grocery divisons.

2348 As I have reported, Gentry are shipping everything on a freight prepaid basis (Puccinelli is doing the same

thing) and are trying to line up distributors so they will get better coverage. In the past we have been able to counteract most of this recripocity setup by being very close to our accounts, and I feel in future we are going to have to have closer relationship and a better coverage with all of our accounts, plus a good distributor setup so we will have the best coverage possible for the entire territory.

I do not know what can be done to counteract this reciprocity deal as everything seems to be handled by word of mouth.

In view of the Consolidated Grocers reciprocity deal, plus their distributor setup, their warehousing in so many locations, and shipping freight prepaid, I think we should give a great deal of thought before we change our prices, distributor setup, or our freight prepaid basis.

Jim Benzies

2349 COMMISSION EXHIBIT 214

BASIC VEGETABLE PRODUCTS, INC.

Report No.: 61 Date: March 16, 1954
Salesman: JB
Firm Name: Oscar Mayer & Company
Persons Contacted: Mr. A. Ellrodt and Mr. R. Conway

Gentry has been putting a great deal of pressure on Oscar Mayer to get their onion and garlic business due to reciprocity. Both Mr. Ellrodt & Mr. Conway claim that so far they haven't bought any material from Gentry and that the quality control has not OKED Gentrys onion or garlic. This is another of those cases where Mr. Cummings of Consolidated Grocers is likely to go direct to Mr. Mayer and then the purchasing and quality control departments

will have to give Gentry some business. Oscar Mayer Madison will be ordering Lot 115 & 120 within the next two weeks.

J. Benzies

Since writing the above report, we received an order from Oscar Mayer, Madison for 5,000 lbs. Lot 110 and 1,000 lbs. Lot 120 for immediate shipment.

2350 COMMISSION EXHIBIT 215

Chicago

June 20, 1953

Memo to: R. M. Stephenson
From: Jim Benzies

While you are attending the I.F.T. Convention, will appreciate your looking up Jack Hohhof who is in charge of quality control for Oscar Mayer & Co. He is interested in talking to you about specifications on ground onion. What he would like to get is a product a little finer grind than our Lot 115, something similar to our Lot 110, but he would not object to some fines in this material. Naturally they would want a product which would be the same price as the ground Lot 115.

Gentry is putting a great deal of pressure on Oscar Mayer to get their business—using the reciprocity angle—and Mr. Mayer has issued instructions to the purchasing department that if Gentry's material is equal in quality and price, they should be given preference in the future.

I have spent considerable time with Mr. Hohhof trying to convince him our product is of better quality and he is very much in favor of using our material. Will appreciate your doing whatever you can to keep him feeling this way.

I have a memo ..... etc.

Jim

2351 COMMISSION EXHIBIT 216

Chicago, March 28, 1953

Memo to: J. H. Hume
From: Jim Benzies

Recently I wrote you about Consolidated Grocers putting on pressure at Hormel's for business on a reciprocal basis. Yesterday when I was talking to O'Hearn at Oscar Mayer in Madison. he informed me Consolidated Grocers sales department were putting the pressure on Oscar Mayer's sales department for their onion and garlic business. It seems Consolidated Grocers have started another campaign here in the Middle West to force their suppliers to buy from Gentry.

I imagine we will run into a great deal more of this sort of thing. I will keep you posted regarding anything I hear.

JB

2352 COMMISSION EXHIBIT 217

Chicago, March 28, 1953

Memo to: J. H. Hume
From: Jim Benzies

Recently I wrote you about Consolidated Grocers putting on pressure at Hormel's for business on a reciprocal basis. Yesterday when I was talking to O'Hearn at Oscar Mayer in Madison, he informed me Consolidated Grocers sales department were putting the pressure on Oscar Mayer's sales department for their onion and garlic business. It seems Consolidated Grocers have started another campaign here in the Middle West to force their suppliers to buy from Gentry.

I imagine we will run into a great deal more of this sort of thing. I will keep you posted on anything I hear.

Jim Benzies

2353 COMMISSION EXHIBIT 218

Chicago, March 26, 1953

Memo to: Mr. J. H. Hume
From: Jim Benzies

When talking on the telephone to Hormel's Purchasing Department today, they mentioned that Consolidated Grocers were putting the pressure on them through their sales department to buy Gentry's material.

Just passing this along for your information.

JB

fm

BASIC VEGETABLE PRODUCTS, INC.
Sales in Pounds

	1949		1950		1951		1952		1953		1954		1955		1956		1957	
	Onion	Garlic	Onion	Garlic	Onion	Garlic	Onion	Garlic	Onion	Garlic	Onion	Garlic	Onion	Garlic	Onion	Garlic	Onion	Garlic
J. J. Gielow & Sons	3,622	2,520	2,070	3,546	7,520	8,640	13,380	12,078	10,200	10,692								
Jos. DeFrates Co.									60		1,776		315		1,728	600	626	
Venice Maid Co.	10,725	360	600	120	4,712	120	224	120	88						645	25		
Moore & Co.	56		192		82				6,982		10,210		3,640		6,505		5,550	
J. L. Read Foods									5,512	1,140	13,900	6,600	20,262	4,860	45,285	3,120	97,630	3,445
Rival Packing Co.									915		10,668*		32,080*					
Armour & Co.	22,717	7,540	16,775	4,500	47,599	13,010	54,640	19,080	47,050	11,880	78,256	20,460	141,196	30,900	91,965	16,860	63,950	16,140
Blue Seal Foods					250		2,100	30	2,800	30	2,950						2,100	520
Blue Points Co., Inc.					3,000		2,500		276		366		431					
Les Pommiers			2,724		9,990	60	14,494		5,980		3,610		3,001				1,600	
P. J. Ritter Co.	48,190	1,800	88,410	3,092	134,772	4,560	80,450	2,760	83,070	2,820	48,500	2,100	63,237	1,740	60,850	3,120	20,750	570
Oscar Mayer, Madison	40,088		43,610		44,560	197	53,445	1,020	49,718	2,940	44,560	4,740	62,060	6,120	43,000	1,020	61,500	5,460
Geo. A. Hormel & Co.	7,532	2,160	9,512	5,160	15,500	4,860	22,245	4,300	16,450	3,240	20,700	3,180	24,300	4,800	23,016	4,860	23,250	6,480
Olympia Mushroom	500		2,950		3,760		1,750											
Woolson Spice Co.	3,775	4,320	7,225	4,836	2,210	5,328	2,840	6,954	5,717	9,012	9,931	15,822	33,768	21,636	9,135	1,608	8,610	660
Michigan Mushroom	11,320		7,984		5,984		3,326		2,196	80	3,196		2,136		2,120		2,025	
Aurora Frozen Foods	750		9,200		12,350		7,350		4,030		14,500		8,000		4,750		6,750	
Indiana Mushroom Co.							2,950		9,000		3,000		6,000		19,000		10,025	
Bedford Food Prods									3,600		2,520		2,520		2,025			
Gerber Products, Fremont	27,000		50,500		39,400		58,050		35,000		21,000		13,000		54,000		40,000	
Lake Odessa Canning Co.	900	33	1,150	80			1,000			8,100		20,940		18,240				
Wass Food Products	108	120	2,438	240	2,510	300	4,556	840	4,914	300	1,000							
College Inn-Chicago	Not Available		1,100	2,640	1,000	3,420	400	1,080		60								
F. M. Wilson Canning Co.	800	390	300				1,420		3,900									

* A mixture of Onion & Garlic.

NOTE: Underlined figures were circled with green pencil on original.

Commission Exhibit 219

2305

2759 COMMISSION EXHIBIT 225

Memo: Recipe Foods, Inc.
Baltimore — Terre Haute — Atlanta

May 5, 1952

To: Mr. Rosen
From: H. Greene

Subject: Evaluation Onion and Garlic Powders.

I. Onion Powder.

	Gentry	Basic
Color	light grey-tan	relative white
Skin	moderate-heavy	moderate-light
Pungency	11 units	14 units
Dry Aroma	strong-good	weak-good
Taste	excellent	excellent
Flavor strength	good	good

Both onion powders are excellent for our purposes. Basic is a slightly better product.

II. Garlic Powder.

	Gentry	Basic
Color	light tan	relative white
Skin	good	good
Dry Aroma	strong-good	weak-good
Dissolved Aroma	strong-good	weak-good
Taste	good	good
Flavor strength	excellent— approx. 200%	good—100%

Gentry's garlic powder is superior for our requirements.

2760 COMMISSION EXHIBIT 226A-F

May 19, 1955

Mr. Robert H. Perlitz
Vice President, Sales & Advertising
Consolidated Foods Corporation
135 South LaSalle Street
Chicago 3, Illinois

Dear Bob:

I certainly want to tell you how very much I enjoyed the opportunity of the discussion we had in Chicago and wish to confirm the gist of our conversation in writing as follows:

Fundamentally, we discussed a plan whereby the various manufacturing divisions of Consolidated, those dealing in raw materials which to a large extent become component parts of other foods, could be broadened saleswise by a change in our concept of purchasing by our distributing divisions.

Our corporation finds itself in the enviable position of having wholesale outlets throughout the entire continental United States and, in addition, does a substantial overseas volume. To that extent, we are in a position where we make a profit on the distribution of many food items, and if we can take steps in which our own raw materials become a part of the finished food items, then we take a step calculated to give the corporation a profit on the raw materials wherever used in those finished food items in addition to the profit from the distributing level. In other words, the possibility of a two-way profit on the same item.

The stating of this policy is simplicity itself—alert all buying offices to the effect that whenever they buy merchandise that contains raw materials in any form, such as produced by any division of Consolidated Foods, that the in-

clusion of that raw material in the finished product from the corporation is a purchasing specification.

We certainly have every reason to believe, based upon our discussions here on the Coast, that this is completely a legal step. Further, we know that many companies specify their raw material as to chemical analysis, moisture content, color value, etc., etc. In other words, purchasing specifications are certainly nothing new, as far as the food industry is concerned.

2762 The execution of a plan of this sort would be nothing more or less than a list which could be prepared and sent to all buying offices, acquainting them with the various types and kinds of raw material available from the corporation and the finished products in which they could be used. At the moment, the greatest benefit from such a plan would accrue to the Gentry Division, but on the other hand, benefits should accrue to Union Sugar on purchases made from the San Francisco Purchasing Office.

Rosenberg Bros. & Co. could also stand to benefit under this program in a national way, since their products are sold on a national basis.

It would be my recommendation that we be very diligent in the execution of this plan. For example, the inclusion of fruit paste and various fruits in cookies is customary, and it seems as though we should be able to make arrangements with manufacturers of these commodities. The use of nut meats of various kinds might also pose interesting possibilities.

Assuming that we could make such a plan work, then it would seem that a possibility of future growth of the corporation could be along lines of what other raw materials widely used in the food industry could be picked up on advantageous deals and to what extent can we broaden them by a plan of this sort.

Needless to say, one of the most important aspects of a merchandising entity is to have distribution. Consolidated Foods, through its distributing facilities, is in a position to deliver distribution on a national basis. It seems to me that a manufacturer has an extremely small price to pay for that distribution on a national or even a regional basis, when all he has to do is buy our own raw materials at prices and quality comparable to the open market.

I am enclosing herewith a list indicating finished products in which onion, garlic and chili products are used. This could serve as a basis for supplying information to the various buying offices, once a plan of this sort has been approved and has been properly explained to the buyers involved. A similar list should be prepared by other divisions, dealing in raw materials.

It would further be my suggestion that as buyers issue purchase orders in which these corporation raw materials are used that a copy of the purchase order, indicating the quantity and the seller involved, be sent to the division involved. This would permit the various divisions involved in following up on the matter and of being able to report back to the buyer, to the effect that a sale had been made.

In the past we have had some extremely interesting situations in attempting to sell Gentry materials to firms that were in turn selling our distributing divisions. Some of these firms we have worked on now for nearly three years, and in some cases, not a single sale has been made, to this writing.

2763 Some of the helpful cooperation extended has been from Messrs. Kennedy, Sarther, Bischman, ever so many of the branch managers, etc. To a large extent, this work has been done on a friendship basis—it has been a case where some of our buying and administrative people have said to certain accounts words to the effect that we would

appreciate it very much if you in turn would buy some of your requirements of onion and garlic products from Gentry, in view of the fact that we are buying material from you—thus, more or less on a reciprocity basis.

We have had some interesting situations along those lines—a case in point that comes to mind is Grocery Store Products Co. In this particular instance, our sales people have actually gone in, following up leads that were opened by other divisions of Consolidated Foods, and actually showed them a better, newer product that cost them less money than what they were previously using. Their answer was to buy a 100-lb. drum of the material from Gentry and to turn around and buy this newer, cheaper product from our competitor, Basic Vegetable Products Co. In this case, we did the initial work, showed them a better product and how to save money, and they continue to buy from competition and at the same time look to Consolidated Foods as a source of distribution. There are other examples where the same type of effort has been put forth and results have been nil.

It seems to me that the effort that has been put forth, a good part of which has been non-productive, and the time spent in trying to handle this matter on a reciprocity basis can be completely eliminated, and we can take the attitude that if a firm wishes to sell us merchandise, they in turn can buy our raw materials.

Here and there we will find items where it may not be to our benefit to put it quite that strongly, but nevertheless, since considerable competition exists in nearly all segments of the food industry, I think that for the most part a plan of this sort can be instituted, provided that we as a corporation are prepared to follow and discontinue suppliers in the event they can't seem to see the matter our way.

We should not ask the supplier to buy all of his raw mate-

rial from us—that in my opinion goes beyond what we can specify as a purchasing requirement. I do think, however, that we can insist that the raw material used in items we buy can be our material. I am also sure that most of our own buyers probably won't like this idea, because it represents additional work on their part. On the other hand, I think it can be sold to them. In the final analysis, if a plan of this sort is feasible and is responsible for increasing our overall profit, then it will have achieved its every objective.

Your comments will be very much appreciated.

With kindest personal regards,

Sincerely,

L. C. Bellisime,
Executive Vice President

LCB:am
Encl.

cc: Mr. L. A. Lehmann, Union Sugar and Albert Arnold, Rosenberg.

2764 FINISHED PRODUCTS—IN WHICH ONION, GARLIC AND CHILI PRODUCTS ARE USED

ONION POWDER

- Animal Foods (occasionally)
- Canned Dog Foods (occasionally)
- Antipasto (occasionally)
- Beans
  - Baked
  - With Pork
  - Barbecued
  - Mexican style
- Beef and Beef Products
- Meat–Luncheon–Various
- Beef Stew
- Catsup
- Chicken Products–Various
- Chili and Beans
- Chili Con Carne
- Chili Sauce
- Chop Suey (occasionally)
- Soups
  - Canned
  - Dehydrated
  - Bases
- Clam Chowder
- Clam Products—Various
- Enchiladas
- Fish and Fish Products—Various
  - Gefüelte Fish
  - Creamed Fish
- Baby Foods—Various
- Frankfurters
- Dressings
  - French
  - Thousand Island
  - Garlic
  - Roquefort
  - Specialty
  - Russian
- Goulash
- Ham–Deviled–occasionally
- Hash, Corned Beef
- Hors d'oeuvres
- Macaroni Products–Various
- Mushroom Broth–Gravies
- Sauces
  - Mushroom
  - Cocktail
  - Spaghetti
  - Worcestershire
  - Meat
- Potato Salad
- Ravioli
- Relishes–Various
- Sandwich Spreads
- Sausage
- Tamales
- Turkey Products
- Hamburgers
- Gravies–Bases

ONION PIECES

- Antipasto
- Chili Sauce
- Chop Suey
- Chow Chow
- Soups
  - Canned
  - Dehydrated
  - Bases
- Clam Chowder
- Clam Products–Various
- Fish and Fish Products–Various Gefüelte Fish
- Dressings
  - Various
- Goulash–occasionally
- Hash, Corned Beef
- Macaroni Salads
- Potato Salad
- Spanish Rice
- Sausage

2765

GARLIC POWDER

- Canned Dog Foods (occasionally)
- Antipasto (occasionally)
- Beans
  - Baked
  - With Pork
  - Barbecued
  - Mexican Style
- Beef and Beef Products
- Meat, Luncheon–Various
- Beef Stew
- Catsup
- Chicken Products–Various
- Chili and Beans
- Chili Con Carne
- Chili Sauce
- Chop Suey (occasionally)
- Soups
  - Canned
  - Dehydrated
  - Bases
- Clam Chowder
- Clam Products–Various
- Enchiladas
- Fish and Fish Products–
  - Various
  - Gefüelte Fish
- Potato Salad
- Relishes–Various
- Frankfurters
- Dressings
  - French
  - Thousand Island
  - Garlic
  - Roquefort
  - Specialty
  - Russian
- Goulash
- Ham, Deviled–occasionally
- Hash, Corned Beef
- Hors d'oeuvres and Paste

Macaroni Products–various
Mushroom Gravies
Potato Salad
Ravioli
Relishes–various
Spanish Rice
Sandwich Spreads
Sausage
Tamales
Hamburgers
Gravies and Bases

GARLIC FLAKES
- Dressings—Various
- Pickles–Kosher Dills
- Relishes (occasionally)

2766

CHILI POWDER OR PEPPER
- Beans
  - Barbecued
  - Mexican style
- Catsup (occasionally)
- Chili and Beans
- Chili Con Carne
- Enchiladas
- Ravioli, occasionally
- Tamales

PAPRIKA
- Beef Stew (occasionally)
- Chili & Beans (occasionally)
- Chili Con Carne (occasionally)
- Enchiladas (occasionally)
- Frankfurters (occasionally)
- Dressings
  - French
  - Thousand Island
  - Roquefort
  - Specialty
  - Russian
- Ravioli
- Sausage
- Tamales

2768 COMMISSION EXHIBIT 228A-F

GILROY FOODS, INCORPORATED

BALANCE SHEET, JANUARY 31, 1961
AND
ACCOUNTANTS' REPORT

2769

HASKINS & SELLS
Certified Public Accountants
San Francisco

March 10, 1961

McCormick & Company, Incorporated,
Schilling Division,
301 Second Street
San Francisco 7, California.

Dear Sirs:

We have examined the balance sheet of Gilroy Foods, Incorporated as of January 31, 1961. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures, in relation to the balance sheet only, as we considered necessary in the circumstances.

It has been the Company's practice in valuing inventories to use the same unit cost for garlic powder as is used for other garlic finished products. As explained in Note 1, if the pricing of inventories of garlic products had been based on the customary method of computing joint product costs, the valuation of those inventories would have been approximately $115,000 less than the valuation used by the Company at January 31, 1961.

In view of the matter discussed in the preceding paragraph, we express no opinion concerning the inventory account or upon the over-all financial position of the Company as shown in the accompanying balance sheet as of January 31, 1961. However, in our opinion, such balance sheet presents fairly the other assets and liabilities of the Company at January 31, 1961 in conformity with generally accepted accounting principles applied on a consistent basis.

Yours truly,

/s/ Haskins & Sells

COMMISSION EXHIBIT 228A-F

GILROY FOODS, INCORPORATED

BALANCE SHEET, JANUARY 31, 1961

ASSETS

CURRENT ASSETS:		
Cash		$ 1,166.53
Accounts receivable - Trade (Note 3)		50,629.86
Accrued interest receivable		481.73
Inventories - at cost (Notes 1 and 3):		
Finished goods	$402,957.07	
In-process inventory	143,640.13	
Containers and supplies	16,223.52	562,820.72
Prepaid taxes and insurance		5,182.37
Total current assets		620,281.21
NOTE RECEIVABLE FROM OFFICER (Note 2)		6,334.11
PROPERTY, PLANT, AND EQUIPMENT - At cost (Note 5):		
Land	17,500.00	
Buildings	140,380.55	
Machinery and equipment	190,153.99	
Office furniture and fixtures	3,601.90	
Total	351,636.44	
Less accumulated depreciation	32,865.94	
Property, plant, and equipment - net		318,770.30
DEFERRED CHARGES:		
Organization expense	2,025.20	
Onion seed purchased for 1961 crop	2,930.00	
Total deferred charges		4,955.20
TOTAL		$950,341.02

LIABILITIES

CURRENT LIABILITIES:		
Current portion of long-term notes and contracts (Note 5)		$ 14,574.39
Notes payable to bank (Note 3)		434,024.02
Accounts payable and accrued		83,351.95
Accrued payroll and commissions		4,372.12
Taxes payable and accrued		4,160.60
Accrued interest payable		10,671.00
Notes payable to stockholders (Note 4)		61,000.00
Accounts payable to growers and grower-stockholders		119,200.69
Total current liabilities		731,354.77
LONG-TERM NOTES AND CONTRACTS (Note 5):		
Mortgage note payable	$ 64,000.00	
Equipment purchase contracts	2,302.16	
Total	66,302.16	
Less portion due in one year - classified as current	14,574.39	51,727.77
CAPITAL STOCK AND DEFICIT:		
Capital stock - authorized, 100,000 shares of $10.00 par value; issued and outstanding, 24,500 shares	245,000.00	
Excess of amounts contributed over par value of stock	9,500.00	
Total	254,500.00	
Deficit	(87,241.32)	
Total capital stock and deficit		167,258.48
TOTAL		$950,341.02

The accompanying notes are an integral part of this balance sheet.

2771 GILROY FOODS, INCORPORATED

Notes To Balance Sheet, January 31, 1961

1. INVENTORIES

At January 31, 1961 a substantial portion of the finished goods and in-process inventories consisted of granulated garlic products and powdered garlic. These products are produced simultaneously by a common process, the yields being approximately 60% and 40%, respectively, of the dry weight garlic input. It has been the Company's practice to determine the unit cost of the joint products on the basis of the number of pounds of products produced, and to allocate these unit costs equally to granulated garlic and garlic powder in the computation of inventory valuations. On the basis of this pricing procedure, the valuations of garlic inventories included in the balance sheet are in approximate amounts as follows:

	Granulated	Powdered	Total
Finished goods	$ 73,000	$204,000	$277,000
In-process	72,000	48,000	120,000
Total	$145,000	$252,000	$397,000

From the date of its incorporation in February 1959, the experience of the Company indicates that sales, in normal trade channels, of its powdered garlic has been in quantities substantially less (approximately one-quarter) than production of such product. Had the pricing of inventories been determined on a joint product method appropriately adjusted for salability of garlic powder, the valuation of inventories of garlic products would have been approximately $115,000

less than the total as determined on the basis described above which has been consistently used by the Company. The salability of the excess quantities of garlic powder in normal trade channels is dependent upon the success of contemplated changes in processing and expansion of distribution facilities as well as adequate financing.

2772 2. NOTE RECEIVABLE FROM OFFICER

A note, dated March 1, 1960, in principal amount of $11,000 was received from the President of the Company in exchange for 1,000 shares of its capital stock. The note bears interest at the rate of 6% per annum and becomes due on March 1, 1963. Collections on this note have been received at various times since March 1, 1960.

3. NOTES PAYABLE TO BANK

The notes payable to the bank at January 31, 1960 included loans of $14,050.49 with pledged accounts receivable and consignment billings; $299,973.53 with pledged inventories under warehouse receipt; and $120,000 under guarantees by stockholders. The loans on accounts receivable and consignment billings bear interest at 8¾% and all other loans bear interest at 6½%.

4. NOTES PAYABLE TO STOCKHOLDERS

Notes payable to stockholders issued for cash on January 1, 1961 become due on December 31, 1961 and, with the exception of one $1,000 non-interest bearing note, bear interest at 6% per annum.

5. LONG-TERM NOTES AND CONTRACTS

Land and buildings have been pledged as collateral to the mortgage note payable and certain items of ma-

chinery and equipment and office furniture and fixtures have been purchased under conditional sales contracts.

The mortgage note dated October 12, 1959 in principal amount of $64,000 is payable in annual instalments of $6,400. The first annual instalment due October 12, 1960 has not been paid but the Company has been advised by the payee bank that its rights of demand and foreclosure under the trust deed for this non-payment have been presently waived.

2773 6. COMMITMENTS

At January 31, 1961, in accordance with general practice, the Company had entered into contracts with growers for the purchase of 1961 onion and garlic crops at stated prices per hundredweight.

At February 7, 1961 the Company entered into a sales agreement for the sale of 490,000 pounds of raw garlic at prices stated in the contract.

On November 1, 1960 the Board of Directors of the Company authorized additional compensation payments to be made to the President based on 1% of the Company's gross sales from that date.